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DELTA REPORT

10-K

CASTELLUM, INC.

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

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TOTAL DELTAS 1658

█	CHANGES	185
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2022** **December 31, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number **001-04321**

CASTELLUM, INC.

(Exact name of registrant as specified in its charter)

Nevada **27-4079982**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer
Identification No.)

3 Bethesda Metro Center, Suite 700 **20814**
Bethesda, MD
(Address of Principal Executive Offices) (Zip Code)

(301) 961-4895

Registrant's telephone number, including area code

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 \$0.0001 per share	CTM	NYSE American LLC

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, or 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

The As of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's shares of voting common stock held by non-affiliates of the registrant was approximately \$13,942,989 based on upon the closing price per share of the Company's common stock on December 30, 2022 as reported by the NYSE American was approximately \$28,528,705. The registrant has elected to use December 30, 2022 as the calculation date because on June 30, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), the registrant was not registered with the NYSE American, LLC.

The registrant had outstanding 42,255,592 53,029,915 shares of common stock, par value \$0.0001, as of March 10, 2023 March 15, 2024.

Documents Incorporated by Reference

The information required by Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Shareholders to be held in 2023, 2024, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Annual Report on Form 10-K relates.

Castellum Inc.

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Explanatory Note Regarding Reverse Stock Split

On October 13, 2022, Castellum, Inc. (the "Company", "Company," "our Company," "we," "our," "us" and "us," or "Castellum") effected a 1-for-20 reverse split of our authorized and outstanding shares of common stock (the "Reverse Stock Split", "Offering", "Split," "Offering," "Uplisting") by way of the filing on October 5, 2022 of an amendment to the Company's amended and restated articles of incorporation to effect the Reverse Stock Split which was approved by Financial Industry Regulatory Authority on October 12, 2022 in connection with the closing of an underwritten public offering of our common stock and the commencement of the trading of our common stock on the New York Stock Exchange ("NYSE") American LLC, LLC ("NYSE American"). As a result of the Reverse Stock Split, all authorized and outstanding common stock and per share amounts in this Annual

Report on Form 10-K, including but not limited to, the consolidated financial statements and footnotes included herein, have been adjusted to reflect the Reverse Stock Split for all periods presented.

Explanatory Note Regarding Forward-Looking Statements

Certain information included or incorporated by reference in this Annual Report on Form 10-K, may not address historical facts and, therefore, could be interpreted to be "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including projections of financial performance; statements of plans, strategies, and objectives of management for future operations; any statement concerning developments, performance, or industry rankings relating to products or services; any statements regarding future economic conditions or performance; any statements of assumptions underlying any of the foregoing; and any other statements that address activities, events, or developments that the Company intends, expects, projects, believes, or anticipates will or may occur in the future. Forward-looking statements may be characterized by terminology such as "believe," "anticipate," "expect," "should," "intend," "plan," "will," "estimates," "view," and similar expressions. These statements are based on assumptions and assessments made by the Company's management in light of its experience and its perception of historical trends, current conditions, expected future developments, and other factors it believes to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties that include but are not limited to the factors set forth under Item 1A, Risk Factors, in this Annual Report on Form 10-K.

Any such forward-looking statements are not guarantees of future performance, and actual results, developments, and business decisions may differ materially from those envisaged by such forward-looking statements. The forward-looking statements included herein speak only as of the date of this Annual Report on Form 10-K. The Company disclaims any duty to update such forward-looking statements, all of which are expressly qualified by the foregoing.

Important factors that could cause actual results to differ materially from the results and events anticipated or implied by such forward-looking statements include, but are not limited to:

- our lack of limited operating history, ongoing net income losses, and management of growth trajectory;
- our ability to retain and attract senior management and other employees with required suitable experience leading a public company;
- our ability to raise additional capital on acceptable terms and to service our ongoing debt obligations;
- changes in political, economic, or regulatory conditions generally and in the markets in which we operate;
- our ongoing relationships with government entities, agencies, and teaming partners;
- overall levels of government spending on defense spending and spending on IT services, including potential imposition of sequestration in the absence of an approved budget or continuing resolution;
- our ability to win new contracts amidst increased levels of competition in contract bidding process;
- United States government may cause delays due to the appropriation process, change in the procurement process, and impose audits or cost adjustments to our contracts;
- our inability to receive full amounts authorized, or ongoing lack of funding, for contracts in our backlog;
- potential systems failures, security breaches, or the inability for of Company and employees to obtain required clearances;
- our ability successfully to execute additional acquisitions and integrate those operations into our ongoing businesses;
- the effect of ongoing financing efforts and volatility of our common stock share price; and other risks, including those described in "Part I, Item 1A. Risk Factors" discussion of this Annual Report on Form 10-K.

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In this Annual Report on Form 10-K, unless the context otherwise requires, all references to the "Company", "our Company," "we," "our," "us" "us," and "Castellum" "Castellum," refer to Castellum, Inc., a Nevada corporation, and its wholly owned subsidiaries.

Part I

Item 1. Business

Overview

Castellum Inc. is focused on acquiring and growing building a large, successful technology companies company in the areas of cybersecurity, IT, electronic warfare, information warfare, and information operations with businesses in the defense, federal, civilian, and commercial markets. Services include intelligence analysis, software development, software engineering, program management, strategic and mission planning, information assurance, cybersecurity and policy support, data analytics, and data analytics. model based systems engineering ("MBSE"). These services are applicable to customers in the United States government ("USG"), financial services, healthcare, and other users of large data applications. They can be delivered to on-premises enclaves or customers who rely upon cloud-based infrastructures. The Company has worked with multiple business brokers and contacts within their business network to identify potential acquisitions. Due to our success in completing six seven acquisitions over the previous three four years and given our executive officers' and key managers' networks of contacts in the IT, telecom, cybersecurity, and defense sectors, we believe that we are well positioned to continue to execute our business strategy given a pipeline of identified and acquisition targets. Because of our executive officers' and key managers' prior experience growing businesses organically, we believe that we are well positioned to grow our existing business via internal growth as well. The Company has developed a qualified business opportunity (the "Opportunity Pipeline"). Although there can be no assurance that the Opportunity Pipeline can be converted to revenues, the Company expects believes that the total value of the Opportunity Pipeline to be approximately \$475 million \$527 million as of December 31, 2023. The Opportunity Pipeline represents the revenue opportunity for the Company from potential future contracts obtained through organic growth from qualified customers based on the expected base year contract value plus the value of all option periods.

Our primary customers are currently agencies and departments of the USG. Our expertise and technology support national security missions and government modernization for intelligence, defense, and federal civilian customers. The demand for our expertise and technology, in large measure, is created by the increasingly complex network, systems, and information environments in which governments and businesses operate, and by the need to stay current with emerging technology while increasing productivity, enhancing security, and ultimately, improving performance.

We provide expertise and technology to enterprise and mission customers in support of national security missions and government modernization/transformation. Due to the nature of the work being executed for the USG the budgets are expected to continue to grow in support of bipartisan national security imperatives. The majority of contracted work is operational in nature and is funded on an on-going basis.

As a government contractor, Castellum both cooperates (as a teaming partner) and competes with many different companies. Sometimes, Castellum both teams with (on one contract) and competes against (on a different contract) the same company. Among others, Castellum competes with (and sometimes also teams with) Northrup Grumman, CACI, Peraton, and Booz-Allen Hamilton

Hamilton.

Our Markets

We provide our expertise and technology to our domestic and international customers in the following market areas:

- Digital Solutions – Castellum transforms how government does business. We modernize enterprise and agency-unique applications, enterprise infrastructure, and business processes to enhance productivity and increase user satisfaction. We use data analytics and visualization to provide insights and outcomes that optimize our customer's operations.
- C4ISR, Cyber & Space – Castellum teams helps ensure information superiority by delivering multi-domain C4 technology and networks. Our software-defined, full-spectrum cyber, electronic warfare, and C-UAS solutions provide electromagnetic spectrum advantage and deliver precision effects against national security

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threats. We are at the forefront of developing technologies that meet the challenges of 5G wireless communications both on and off the battlefield, millimeter wave, and the use of lasers for free space optical communications and long-range sensing.

- Engineering Services – Castellum provides platform integration, modernization, and sustainment; system engineering; naval architecture; training and simulation services; and logistics engineering to help our customers achieve a decisive tactical edge. We enhance platforms to improve situational awareness, mobility, interoperability, lethality, and survivability. We conduct software vulnerability analysis and harden technology to protect against malicious actors. Our platform-agnostic, mission-first approach ensures optimal performance, so our nation's forces can overmatch our adversaries.
- Enterprise IT – Castellum amplifies efficiency with unmatched expertise and next-generation technology. We design, implement, protect, and manage secure enterprise IT solutions for the United States ("U.S.") federal, state, and local agencies to optimize efficiency, enhance performance, and ensure end-user satisfaction.
- Mission support – Castellum specializes in planning and intelligence support for information warfare and information operations ("IW/IO"). The Company develops IW/IO plans, exercises, doctrine, and training for the Military Services and the Combatant Commands in domestic and deployed overseas locations. Our intelligence support ensures continuous advances in collection, analysis, and dissemination to optimize decision-making. Castellum also has linguists and cultural advisors who provide clients with insights into the history, media consumption, and cultural nuances of target audiences to maximize the effectiveness of communications plans and ensure mission success.

Strengths and Strategy

Extensive Sector Knowledge and Advanced Technology. We primarily offer our expertise and technology to defense, intelligence, and civilian agencies of the U.S. federal, state, and local governments. Our work for USG agencies may combine a wide range of skills drawn from our expertise and technology. For example, Castellum performs software development and virtualization of infrastructure services for the U.S. Navy. We maintain and monitor government owned data centers. We are subject matter experts in electronic and electromagnetic warfare. We perform advanced data analytics on litigation data in support of the Department of Justice. Lastly, through the Company's IW/IO operations, Castellum provides key services to governments of other nations.

International Presence. We currently support and have previously supported international clients in Australia and other foreign countries and believe that future opportunities for providing our services internationally is growing given current record nominal levels of global spending on defense and the continued rising threat from cybersecurity breaches.

Deep-Seated Government Relationships. To effectively perform on our existing customer contracts and secure new customer contracts with the U.S. federal, state, and local governments, we must maintain expert knowledge of agency policies, operations, and challenges. We combine this comprehensive knowledge with expertise and technology for our enterprise and mission customers. Our capabilities provide us with opportunities either to compete directly for, or to support other bidders in competition for multi-million dollar and multi-year award contracts from the U.S. federal, state, and local governments.

Complementary Product and Service Offerings. We have strategic business relationships with several companies associated with the IT industry which have business objectives compatible with ours and offer complementary products and services. We intend to continue development of these kinds of relationships wherever they support our growth objectives. Some of these business relationships have ultimately led to Castellum acquiring the teaming partner firm.

Our marketing and new business development is conducted by many of our officers and managers including the CEO, COO, Chief Executive Officer ("CEO"), Chief Operating Officer ("COO"), Chief Strategy Officer and other executive officers, and other key managers. We employ business development, capture and proposal writer professionals who identify and qualify major contract opportunities, primarily in the USG market and submit bids for those opportunities.

Much of our business is won through submission of formal competitive bids. Government and commercial customers typically base their decisions regarding contract awards on their assessment of the quality of past performance, compliance with proposal requirements, price, and other factors. The terms, conditions, and form of government contract bids, however, are in most cases specified by the customer. In situations in which the customer-imposed contract type and/or terms appear to expose us to inappropriate risk or do not offer us a sufficient financial return, we may seek alternative arrangements or opt not to bid for the work. Essentially all contracts with the USG, and many contracts with other

government entities, permit the government customer to terminate the contract at any time for the convenience of the government or for default by the contractor. None of Castellum's subsidiaries have had contract work terminated for non-performance. Although we operate under the risk of such terminations with the potential to have a material impact on operations, they are not common. Additionally, as with other government contractors, our business is subject to government customer funding decisions and actions that are beyond our control.

Our contracts and subcontracts are composed of a wide range of contract types, including firm fixed firm price ("FFP"), cost plus fixed fee ("CPFF"), time and materials ("T&M"), labor hour, indefinite delivery/indefinite quantity ("IDIQ"), and government wide acquisition contracts ("GWACS") such as U.S. General Services Administration ("GSA") schedule contracts, substantially all of which are annual contracts, with options to renew. Because most government contracts renew annually, the Company does not have a material number of multi-year contracts. Typically, the prime contract will dictate the terms of the subcontracts including, among other things, the workshare percentages, mechanics of payment terms, and the process for operational management. We generated \$25,302,224 (60%) \$25,631,786 (57%), \$15,381,979 \$25,302,224 (61%), and \$10,419,729 \$15,381,979 (78%) of our total revenues from T&M contracts in the years ended December 31, 2022 December 31, 2023, 2022, and 2021, and 2020, respectively.

In the year ending December 31, 2022 December 31, 2023, the top three revenue-producing contracts, some of which consist of multiple task orders, accounted for forty-six fifty-two percent (46% (52%) of our revenue, or \$19,223,528. \$23,639,493. Each of those contracts are associated with the Company's areas of core expertise, as follows: (i) an annual contract with NAVAIR that contains multiple renewal options is a CPFF contract that goes to the covering systems engineering, and design/software engineering, and development expertise where the Company has developed software that manages the aircraft launch and recovery operations on aircraft carriers, (ii) an annual contract with Perspecta Peraton with multiple renewal option periods is a T&M contract which supports the cyber and EW work done at the Army Staff Level, and (iii) an annual contract with CACI NAVSEA that contains multiple renewal options is a T&M CPFF contract that leverages expertise in EW covering engineering and is associated with developing a 5G spectrum technical services for the analysis, design, prototyping, test and evaluation, integration, project management, strategy implementation, and policy documentation of various Command, Control, Communications, and Computer Intelligence Surveillance Reconnaissance ("C4ISR") sensor systems and subsystems for Department of Defense.

Some of our key initiatives include the following:

- Continue our unwavering commitment to our customers while supporting the communities in which we work and live;
- Continue to grow Grow organic revenue across our large, addressable market;
- Recruit and hire a world class workforce to execute on our growing backlog; and
- Differentiate ourselves through our investment, including our strategic mergers and acquisitions allowing which allow us to enhance our current capabilities and create new customer access points.

Budgetary Environment

On December 29, 2022, President Joe Biden signed the Consolidated Appropriations Act of 2023 which was a \$1.7 trillion omnibus spending bill. Since that time, there have been a series of continuing resolutions ("CR or CRs") in the absence of a budget.

While we cannot predict the passage of a budget, the CRs have had bipartisan support for the areas in which we support National Security interests. Over 99% of our work is considered mission critical and has not been identified for employee furlough when faced with the risk of a government shutdown. Depending on their scope, duration, and other factors, CRs can negatively impact our business due to delays in new program starts, delays in contract award decisions, and other factors. The Company's most recent experience with CRs is that organic growth is impacted, but the cybersecurity related operations remain core to what has become a bipartisan National Security focus. However, there is the risk

that when a CR expires, unless appropriations bills have been passed by Congress and signed by the then President, or a new CR is passed and signed into law, the government must cease operations, or shutdown, except in certain emergency situations or when the law authorizes continued activity. During Covid our work was deemed a key component of National Security and continued unabated which would suggest that lacking a CR we are likely to continue to operate largely unaffected but such an assumption may prove to be incorrect. We continuously review our operations in an attempt to identify programs potentially at risk from CRs so that we can consider appropriate contingency plans. We believe that less than 5% of our employees would be at risk due to a CR.

Acquisition Strategy

Castellum seeks acquisitions which fit one or more of the following criteria: (1) expands Castellum's capability in existing areas of expertise such as cybersecurity and electronic warfare; (2) broadens the scope of clients which Castellum serves such as adding a new service branch or new government agency; (3) increases the scale of Castellum's business in existing areas in order to generate better operating profit margins and reduce the Company's wrap rate; (4) increases the geographic footprint of Castellum in order to offer more capability to existing or new clients; (5) adds management talent to Castellum; (6) adds technological capability in new areas which Castellum believes are high growth potential; and (7) fills a need within Castellum to be able to serve current customers such as adding a prime contract vehicle or the capability to win new prime contract vehicles. In all cases, Castellum seeks acquisitions which are immediately accretive on a revenue, EBITDA (earnings before interest, depreciation, and amortization), and net income per share basis, as well as positive from a net present value perspective and which fit the culture of Castellum.

Customers

We provide expertise and technology to defense, intelligence, and civilian agencies of the U.S. federal, state, and local governments. Our clients call us to work on their hardest problems by providing innovative, intelligent, and agile cloud-ready capabilities across the DoD Information Network Operations, Electromagnetic Warfare, Cyberspace Operations, Intelligence, and Information Dominance community. We specialize in intelligence analysis, software development, software engineering, turnkey system development, program management, strategic and mission planning, information assurance, and cybersecurity, and policy along with analysis support.

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Our government clients include cabinet-level departments of the USG, U.S. Army, U.S. Navy, U.S. Marine Corp, Special Operations, as well as other federal and civilian agencies. We also serve state and local agencies and commercial clients, working to solve their hardest and most sophisticated cyber challenges, and have currently support one international client.

Contract Backlog

We define backlog to include the following three components:

- *Funded Backlog.* Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- *Unfunded Backlog.* Unfunded backlog represents the revenue value of orders (including optional orders) for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options.* Priced contract options represent 100% of the revenue value of all future contract option periods under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

Our backlog does not include contracts that have been awarded but are currently under protest and also does not include any task orders under IDIQ contracts, except to the extent that task orders have been awarded to us under those contracts.

We cannot predict with any certainty the portion of our backlog that we expect to recognize as revenue in any future period and we cannot guarantee that we will recognize any revenue from our backlog. The primary risks that could affect our ability to recognize such revenue on a timely basis or at all are: program schedule changes, contract modifications, and our ability to assimilate and deploy new consulting staff against funded backlog; cost-cutting initiatives and other efforts to reduce USG spending, which could reduce or delay funding for orders for services; and delayed

funding of our contracts due to delays in the completion of the USG's budgeting process and the use of a Continuing Resolution ("CR") CR by the USG to fund its operations. The amount of our funded backlog is also subject to change, due to, among other factors: changes in congressional appropriations that reflect changes in USG policies or priorities resulting from various military, political, economic, or international developments; changes in the use of USG contracting vehicles, and the provisions therein used to procure our services and adjustments to the scope of services, or cancellation of contracts, by the USG at any time. In our recent experience, none of the following additional risks have had a material negative effect on our ability to realize revenue from our funded backlog: the unilateral right of the USG to cancel multi-year contracts and related orders or to terminate existing contracts for convenience or default; in the case of unfunded backlog, the potential that funding will not be made available; and, in the case of priced options, the risk that our clients will not exercise their options.

In addition, contract backlog excludes orders under contracts for which the period of performance has expired, and we may not recognize revenue on the funded backlog that includes such orders due to, among other reasons, the tardy submission of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the USG's fiscal year.

We expect to recognize revenue from a substantial portion of funded backlog within the next 24 months. However, given the uncertainties discussed above, as well as the risks described in Budget Environment, we can give no assurance that we will be able to convert our backlog into revenue in any particular period, if at all.

Competition

We operate in a highly competitive industry that includes many firms, entities, some of which are larger in size and have greater financial resources than we have. We know of no single competitor that is dominant in our fields of technology. We have a relatively small share of the addressable market for our solutions and services and intend to achieve growth and increase market share both organically and through strategic acquisitions.

Research and Development

The Company from time to time engages in research and development relative to its service offerings; however, the amounts expended for such efforts are not material to the Company's financial statements.

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Intellectual Property

The Company currently has no patents or trademarks that it believes to be material to the business. The Company does have significant intellectual property in the form of our highly educated and trained workforce which provides us with technical expertise and an enhanced ability to win 're-compete' business.

Regulation

As a contractor to the USG, as well as state and local governments, we are heavily regulated in most fields in which we operate. We deal with numerous USG agencies and entities, and when working with these and other entities, we must comply with and are affected by unique laws and regulations relating to the formation, administration, and performance of government contracts. Some significant law and regulations that affect us include the following:

- the Federal Acquisition Regulation ("FAR") and agency regulations supplemental to FAR, which regulate the formation, administration, and performance of USG contract; contracts;
- the False Claims Act, which imposes civil and criminal liability for violations, including substantial monetary penalties for, among other things, presenting false or fraudulent claims for payments or approval;

- the False Statements Act, which imposes civil and criminal liability for making false statements to the USG;
- the Truthful Cost or Pricing Data Statute (formerly known as the “Truth in Negotiations Act”), which requires certification and disclosure of cost and pricing data in connection with the negotiation of certain contracts, modifications, or task orders;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and certain internal government procurement sensitive information, and our ability to provide compensation to certain former government procurement officials;
- laws and regulations restricting the ability of a contractor to provide gifts or gratuities to employees of the USG;
- post-government employment laws and regulations, which restrict the ability of a contractor to recruit and hire current employees of the USG and deploy former employees of the USG;
- laws, regulations, and executive orders restricting the handling, use, and dissemination of information classified for national security purposes or determined to be “controlled unclassified information” or “for official use only,” and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work;
- laws, regulations, and executive orders regulating the handling, use, and dissemination of personally identifiable information in the course of performing a USG contract;
- international trade compliance laws, regulations, and executive orders that prohibit business with certain sanctioned entities and require authorization for certain exports or imports in order to protect national security and global stability;
- laws, regulations, and executive orders governing organizational conflicts of interest that may restrict our ability to compete for certain USG contracts because of the work that we currently perform for the USG or

may require that we take measures such as firewalling off certain employees or restricting their future work activities due to the current work that they perform under a USG contract;

- laws, regulations, and executive orders that impose requirements on us to ensure compliance with requirements and protect the government from risks related to our supply chain, **most notably is including** compliance with Cybersecurity Maturity Model Certification (“CMMC”);
- laws, regulations, and mandatory contract provisions providing protections to employees or subcontractors seeking to report alleged fraud, waste, and abuse related to a government contract;
- the National Industrial Security Operating Manual and other laws and regulations concerning the maintenance of a facility security clearance and the safeguarding of classified materials;

- the Contractor Business Systems rule, with authorizes Department of Defense agencies to withhold a portion of our payments if we are determined to have a significant deficiency in our accounting, cost estimating, purchasing, earned value management, material management and accounting, and/or property management system; and
- the Cost Accounting Standards and Cost Principles, which impose accounting and allowability **requirement requirements** that govern our right to reimbursement under certain cost-based USG contracts and require consistency of accounting practices over time.

Given the magnitude of our revenue derived from contracts with the DoD, the Defense Contract Audit Agency ("DCAA") is our relevant government audit agency. The DCAA audits the adequacy of our internal control systems and policies including, among other areas, compensation. The Defense Contract Management Agency ("DCMA") as our relevant government contract management agency, may determine that a portion of our employee compensation is unallowable based on the findings and recommendations in the DCAA's audits. In addition, the DCMA directly reviews the adequacy of certain other business systems, such as our purchasing system. We are also subject to audit by Inspectors General of other USG agencies.

The USG may revise its procurement practices or adopt new contract rules and regulations at any time. Internationally, we are subject to special USG laws and regulations (such as The Foreign Corrupt Practices Act of 1977 (the "FCPA"), local government regulations and procurement policies and practices, including regulations relating to import-export control, investments, exchange controls, and repatriation of earnings, as well as varying currency, political, and economic risks. To mitigate the risk of ensure CMMC compliance, the Company has employed a senior executive on its management team whose full-time responsibility is compliance. Regarding CMMC compliance, this individual is considered a certified assessor and is includes preparing the Company for CMMC certification.

USG contracts are, by the their terms, subject to termination by the USG either for convenience or default by the contractor. In addition, USG contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract performance could take many years. As is common in the industry, our Company is subject to business risk, including changes in governmental appropriations, national defense policies, service modernizations modernization plans, and availability of funds. Any of these factors could materially adversely affect our Company's business with the USG in the future.

The USG has a broad range of actions it can instigate utilize to enforce its procurement law and policies. These include proposing a contractor, certain of its operations, or individual employees for debarment debarment; or, suspending or debarring a contractor, certain of its operations or individual employees from future government business. In addition to criminal, civil, and administrative actions by the USG, under the False Claims act, an individual alleging fraud related to payments under a USG contract or program may file a qui tam lawsuit on behalf of the government against us; if successful in obtaining a judgment or settlement, the individual filing the suit may receive up to thirty percent (30%) of the amount recovered by the government.

See Part I Item 1A Risk Factors: We generate substantially all of our revenue from contracts with the U.S. federal, state, and local governments which are subject to a number of challenges and risks that may adversely impact our business, prospects, financial condition, and operating results.

Human Capital Resources

Our employees are our most valuable resource. We are in continuing competition for highly skilled professionals in virtually all of our market areas. The success and growth of our business are significantly correlated with our ability to recruit, train, promote, and retain high quality people at all levels of the organization. As of December 31, 2022 December 31, 2023, we employed 207 260 full and part-time employees with forty-nine sixty-five percent (49% (65%) of our employees holding degrees in science, technology, engineering, or mathematics fields, twenty-eight twenty-two percent (28% (22%) holding advanced degrees, and eighty-four percent (84%) of our employees holding security clearances. We also retain 11 independent contractors. We have never had a work stoppage, and none of our employees is represented by a labor organization or under any collective bargaining arrangements. We consider our employee relations to be good. All employees are subject to contractual agreements that specify requirements on confidentiality and restrictions on working for competitors, as well as other standard matters.

Benefits are viewed as a critical tool for employee recruitment and retention. To that end, Castellum has migrated over half all of its employees from their legacy benefits programs to the ADP Professional Employer Organization ("PEO"), with prior to the balance acquisition of its employees targeted to be migrated Global Technology and Management Resources, Inc. ("GTMR") in March of 2023. The implementation of the ADP PEO has allowed for the

extension of benefits not previously offered to include a broad suite of additional services at reduced cost to the employees (such as financial planning, legal services, additional life insurance, and long-term care). At the time of the GTMR acquisition, the GTMR employees were subject to a legacy benefit program. Through the open-enrollment process which will occur during the second quarter of 2024, the Company expects its employees, including the employees of GTMR, to migrate to the same benefit plan.

Available Information

The Company was incorporated in Nevada on September 30, 2010 under the name Passionate Pet, Inc. and in January 2013, the Company changed its name to Firstin Wireless Technology, Inc. In March 2015, the Company changed its name to BioNovelus, Inc. On June 12, 2019, the Company acquired Bayberry Acquisition Corporation, a Nevada corporation ("Bayberry" and, as context requires, the "Bayberry Acquisition"). On February 23, 2021, Bayberry was dissolved with the Nevada Secretary of State as it was non-operational after the merger with the Company. On November 21, 2019, we acquired Corvus Consulting, LLC, ("Corvus"), a ~~Virginia~~ Delaware limited liability company. On December 26, 2019, following our acquisition of Corvus, we changed our name from BioNovelus, Inc. to Castellum, Inc.

Our principal executive offices are located at 3 Bethesda Metro Center, Suite 700, Bethesda, Maryland 20814. Our telephone number is (301) 961-4895 and our website address is www.castellumus.com.

We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Annual Report on Form 10-K (~~Form 10-K~~) (Form 10-K).

Throughout this Form 10-K, we incorporate by reference information from parts of other documents filed with the U.S. Securities and Exchange Commission ("SEC"). The SEC allows us to disclose important information by referring to it in this manner.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements for our annual stockholders' meetings and amendments to those reports are available free of charge on our website www.castellumus.com/investor-relations.html, as soon as reasonably practical after we electronically file the material with, or furnish it to, the SEC. ~~In~~ In addition, copies of our annual report will be made available, free of charge, upon written request. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements, and other information regarding SEC registrants, including Castellum, Inc.

Item 1A. Risk Factors

A description of some of the most important risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including our audited consolidated financial statements and related notes included in Part II, Item 8, and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part II, Item 7. The occurrence of any of the events or developments described below could materially and adversely affect our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also impair our business, financial condition, results of operations, and growth prospects.

Risks Related to our Business, Industry and Operations

We lack a long-term operating history on which to evaluate our consolidated business and determine if we will be able to execute our business plan, and we can give no assurance that our operations will result in sustained profitability.

We are focused on ~~acquiring and growing~~ building a large, successful technology ~~companies~~ company in the areas of information technology ("IT"), electronic warfare, information warfare, and cybersecurity with businesses in the governmental and commercial markets. Since November 2019, we have executed our business plan and completed ~~six~~ seven acquisitions. As a result, we have a limited operating history on a consolidated basis to evaluate our business and prospects. Our business operations are subject to numerous risks, uncertainties, expenses, and difficulties associated with early-stage enterprises. You should consider an investment in our Company in light of these risks, uncertainties, expenses, and difficulties. Such risks include:

- limited operating history at our current scale;
- our ability to raise capital to develop our business and fund our operations;

- our ability to anticipate and adapt to developing markets;
- acceptance by our customers;
- limited marketing experience;
- competition from competitors with substantially greater financial resources and assets; and
- the ability to identify, attract, and retain qualified personnel.

Because we are subject to these risks, and the other risks outlined below, you may have a difficult time evaluating our business and your investment in our Company.

We have historically suffered net losses, and we may not be able to sustain profitability.

We had an accumulated deficit of ~~\$26,094,570~~ \$43,982,900 as of December 31, 2022 December 31, 2023, and we expect to continue to generate a net loss in the year ending December 31, 2023 December 31, 2024. As a result, we are incurring net losses, and it is possible that we may not be able to achieve the revenue levels necessary to achieve and sustain net profitability. If we fail to generate sufficient revenues to operate profitably on a consistent basis, or if we are unable to fund our continuing losses, you could lose all or part of your investment.

We rely upon a few, select key employees who are instrumental to our ability to conduct and grow our business. In the event any of those key employees would no longer be affiliated with the Company, and we did not replace them with equally capable replacements, it may have a material detrimental impact on our ability to successfully operate our business.

Our future success will depend in large part on our ability to attract, retain, and motivate high-quality management, operations, and other personnel who are in high demand, are often subject to competing employment offers, and are attractive recruiting targets for our competitors. The loss of qualified executives and key employees, or our inability to attract, retain, and motivate high-quality executives and employees required for the planned expansion of our business, may harm our operating results and impair our ability to grow.

We depend on the continued services of our key personnel, including Mark C. Fuller, our Chief Executive Officer ("CEO"), CEO, David T. Bell, our Chief Financial Officer ("CFO"), CFO, Glen R. Ives, our Chief Operating Officer ("COO"), and Jay O. Wright, our Chief Strategy Officer and General Counsel. Our work with each of these key personnel is subject to changes and/or termination, and our inability to effectively retain the services of our key management personnel, could materially and adversely affect our operating results and future prospects.

Certain key members of our management team lack significant public company experience in their positions and our executive management team has limited time working together.

The members of our team do not all have significant prior experience working in their roles for a public company, including our CEO, COO, and CFO. The management team also has limited experience working together as a team. The inability of any member of our management team to operate effectively in their position, or for the management team to effectively work together, could materially and adversely affect our operating results and future prospects.

We may have difficulty raising additional capital, which could deprive us of necessary resources.

We expect to continue to devote significant capital resources to fund our acquisition strategy. In order to support the initiatives envisioned in our business plan, we will need to raise additional funds through the sale of public or private debt or equity financing or other arrangements. Our ability to raise additional financing depends on many factors beyond our control, including the state of capital markets and the market price of our common stock. Sufficient additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our common stock. If we are unable to raise additional capital to implement our business plan it could have a material adverse effect on our financial condition, business prospects and operations, and the value of an investment in our Company.

You may experience dilution, subordination of stockholder rights, preferences, and privileges, and decrease in market price of our common stock as a result of our financing efforts.

Any future equity financing may involve substantial dilution to our then existing stockholders. Any future debt financing could involve restrictive covenants relating to our capital raising activities and other financial and operational matters,

which may make it more difficult for us to obtain additional capital and to pursue business opportunities. There can be no assurance that such additional capital will be available, on a timely basis, or on terms acceptable to us. If we are unsuccessful in raising additional capital or the terms of raising such capital are unacceptable, then we may have to modify our business plan and/or curtail our planned activities and other operations.

Sales of a substantial number of shares of our common stock in the public market could adversely affect the market price of our common stock. We may issue substantial amounts of common stock in the future, which would dilute the percentage ownership held by the investors who purchase shares of our common stock in this any such offering. Additionally, we have certain potential dilutive instruments, of which the conversion of these instruments could result in dilution to stockholders: As of March 10, 2023 March 15, 2024 the maximum potential dilution is 25,561,017 28,274,400 shares and includes Series A preferred stock convertible into approximately 587,500 shares of common stock, Series C preferred stock convertible into 481,250 shares of common stock, convertible promissory notes convertible into 13,044,681 shares of common stock, options granted convertible into 6,425,000 8,243,437 shares of common stock, and warrants granted convertible into 5,022,586 18,962,212 shares of common stock.

In connection with the public offering of our common stock, we and our officers, directors and certain stockholders have agreed, subject to customary exceptions, not to, without the prior written consent of EF Hutton, division of Benchmark Investments, LLC, the representative of the underwriters of the public offering, during the period ending twelve months from the date of the public offering in the case of the Company and 180 days from the date of the public offering in the case of our directors, officers, and stockholders who beneficially own more than 5% of our common stock directly or indirectly, offer to sell, pledge or otherwise transfer or dispose of any of shares of our common stock, enter into any swap or other derivatives transaction that transfers to another any of the economic benefits or risks of ownership of shares of our common stock, make any demand for or exercise any right or cause to be filed a registration statement, including any amendments thereto, with respect to the registration of any shares of common stock or securities convertible into or exercisable or exchangeable for common stock or any other securities of the Company or publicly disclose the intention to do any of the foregoing. After the holding periods have expired, the directors and officers and other beneficial stockholders may elect to sell a substantial number of shares of common stock in the public market which could adversely affect the market price of our common stock.

Failure to effectively manage any future any future growth could place strains on our managerial, operational, and financial resources and could adversely affect our business and operating results.

Our expected growth could place a strain on our managerial, operational, and financial resources. Further, if our subsidiaries' businesses grow, then we will be required to manage multiple relationships. Any further growth by us or our subsidiaries, or any increase in the number of our strategic relationships, will increase the strain on our managerial, operational, and financial resources. This strain may inhibit our ability to achieve the rapid execution necessary to implement our business plan and could have a material adverse effect on our financial condition, business prospects and operations, and the value of an investment in our Company.

We generate substantially all of our revenue from contracts with the United States federal, state, and local governments which are subject to a number of challenges and risks that may adversely impact our business, prospects, financial condition, and operating results.

Sales to United States ("U.S."), U.S federal, state, and local governmental agencies have in the past accounted for, and may in the future account for, substantially all of our revenue. Sales to such government entities are subject to the following risks:

- selling to governmental agencies can be highly competitive, expensive, and time consuming, often requiring significant upfront time and expense without any assurance that such efforts will generate a sale. Our existing contracts typically expire after some period of time and

must be “re-competed.” There is no guarantee that we will win such re-compete efforts;

- government certification requirements applicable to our products may change and in doing so restrict our ability to sell into the U.S. federal government sector until we have attained the revised certification;
- government demand and payment for our products and services may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products and services;
- governments can generally terminate our contracts “for convenience”, meaning we could lose part or all of our revenue on short notice;

- governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our services, which would adversely impact our revenue and results of operations, or institute fines or civil or criminal liability if the audit uncovers improper or illegal activities; and

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- when we are a subcontractor, we have less control over the execution and success of the contract with the government.

If we were suspended or debarred from contracting with the USG, if our reputation or relationship with government agencies was impaired, or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our business, prospects, financial condition, and operating results would be materially and adversely affected.

We operate in an industry that is highly regulated and unexpected changes in laws could have a significant adverse impact on our business.

As a contractor to the USG, as well as state and local governments, we are heavily regulated in most fields in which we operate. We deal with numerous USG agencies and entities, and when working with these and other entities, we must comply with and are affected by unique laws and regulations relating to the formation, administration, and performance of government contracts. Some significant law and regulations that affect us include the following:

- the FAR, and agency regulations supplemental to FAR, which regulate the formation, administration, and performance of USG contracts;
- the False Statements Act, which imposes civil and criminal liability for making false statements to the USG;
- the Truthful Cost or Pricing Data Statute (formerly known as the “Truth in Negotiations Act”), which requires certification and disclosure of cost and pricing data in connection with the negotiation of certain contracts, modifications, or task orders;
- the Procurement Integrity Act, which regulates access to competitor bid and proposal information and certain internal government procurement sensitive information, and our ability to provide compensation to certain former government procurement officials;
- laws and regulations restricting the ability of a contractor to provide gifts or gratuities to employees of the USG, including the **“FCPA”** FCPA which prohibits U.S. citizens and entities from bribing foreign government officials to benefit their business interests;
- post-government employment laws and regulations, which restrict the ability of a contractor to recruit and hire current employees of the USG and deploy former employees of the USG;
- laws, regulations, and executive orders restricting the handling, use, and dissemination of information classified for national security purposes or determined to be “controlled unclassified information” or “for official use only,” and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work;
- laws, regulations, and executive orders regulating the handling, use, and dissemination of personally identifiable information in the course of performing a USG contract;
- international trade compliance laws, regulations, and executive orders that prohibit business with certain sanctioned entities and require authorization for certain exports or imports in order to protect national security and global stability, including The International Traffic in

Arms Regulations that controls the manufacture, sale, and distribution of defense and space-related articles and services as defined in the United States Munitions List);

- laws, regulations, and executive orders governing organizational conflicts of interest that may restrict our ability to compete for certain USG contracts because of the work that we currently perform for the USG or may require that we take measures such as firewalling off certain employees or restricting their future work activities due to the current work that they perform under a USG contract;
- laws, regulations, and executive orders that impose requirements on us to ensure compliance with requirements and protect the USG from risks related to our supply chain such as compliance with CMMC;
- laws, regulations, and mandatory contract provisions providing protections to employees or subcontractors seeking to report alleged fraud, waste, and abuse related to a USG contract;
- the Contractor Business Systems rule, which authorizes DoD agencies to withhold a portion of our payments if we are determined to have a significant deficiency in our accounting, cost estimating, purchasing, earned value management, material management and accounting, and/or property management system; and
- the Cost Accounting Standards and Cost Principles, which impose accounting and allowability requirements that govern our right to reimbursement under certain cost-based USG contracts and require consistency of accounting practices over time.

Given the magnitude of our revenue derived from contracts with the DoD, the DCAA is our relevant government audit agency. The DCAA audits the adequacy of our internal control systems and policies including, among other areas,

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compensation. The DCMA, as our relevant government contract management agency, may determine that a portion of our employee compensation is unallowable based on the findings and recommendations in the DCAA's audits. In addition, the DCMA directly reviews the adequacy of certain other business systems, such as our purchasing system. We are also subject to audit by Inspectors General of other USG agencies.

The USG may revise its procurement practices or adopt new contract rules and regulations at any time. When operating outside the U.S., we are subject to special USG laws and regulations (such as the FCPA), local government regulations and procurement policies and practices, including regulations relating to import-export control, investments, exchange controls, and repatriation of earnings, as well as varying currency, political, and economic risks.

USG contracts are, by the terms, subject to termination by the USG either for convenience or default by the contractor. In addition, USG contracts are conditioned upon the continuing availability of Congressional appropriations. The U.S. Congress usually appropriates funds for a given program on a September 30 fiscal year basis, even though contract performance could take many years. As is common in the industry, our Company is subject to business risk, including changes in governmental appropriations, national defense policies, service modernizations plans, military base reductions and closures, and availability of funds. Any of these factors could materially adversely affect our Company's business with the USG in the future.

The USG has a broad range of actions it can instigate to enforce its procurement law and policies. These include proposing a contractor, certain of its operations or individual employees for debarment or suspending or debarring a contractor, certain of its operations or individual employees from future government business. In addition to criminal, civil, and administrative actions by the USG, under The False Claims Act, an individual alleging fraud related to payments under a USG contract or program may file a qui tam lawsuit on behalf of the government against us; if successful in obtaining a judgment or settlement, the individual filing the suit may receive up to 30% of the amount recovered by the government. If we are subject to an enforcement action by the USG, it could materially and adversely affect our results of operations.

USG contracts contain numerous provisions that are unfavorable to us.

USG contracts contain provisions and are subject to laws and regulations that give the government rights and remedies, some of which are not typically found in commercial contracts, including allowing the government to:

- cancel multi-year contracts and related orders if funds for contract performance for any subsequent year become unavailable;
- claim rights in systems and software developed by us;
- suspend or debar us from doing business with the USG or with a governmental agency;
- impose fines and penalties and subject us to criminal prosecution; and
- control or prohibit the export of our data technology or proprietary service solutions.

If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses, and profit on work completed prior to the termination. If the government terminates a contract for default, we may be unable to recover even those amounts and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. Depending on the value of a contract, such termination could cause our actual results to differ materially and adversely from those anticipated. Certain contracts also contain organizational conflicts of interest ("OCI") clauses that limit our ability to compete for or perform certain other contracts. OCIs arise any time we engage in activities that (i) make us unable or potentially unable to render impartial assistance or advice to the government; (ii) impair or might impair our objectivity in performing contract work; or (iii) provide us with an unfair competitive advantage. Depending upon the value of the matters affected, an OCI issue that precludes our participation in or performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

If we are unable to maintain successful relationships with our teaming partners, our ability to market, sell, and distribute our services will be limited, and our business, financial position, and results of operations will be harmed.

We expect that sales through teaming partners will continue to be a significant percentage of our revenue. Our agreements with our teaming partners are generally non-exclusive, meaning our teaming partners may offer customers services from several different companies, including services that compete with ours. The loss of a substantial number of our teaming partners, our possible inability to replace them, or the failure to recruit additional teaming partners could materially and adversely affect our results of operations.

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We are exposed to the credit risk of some of our teaming partners, which could result in material losses.

Most of our sales for work performed for the USG are through our teaming partners and are on an open credit basis. We cannot assure an investor these programs will be effective in reducing our credit risks. If we are unable to adequately control these risks, our business, results of operations, and financial condition could be harmed.

Our business could be adversely affected by changes in spending levels or budgetary priorities of the federal, state, and local governments or by the imposition by the USG of sequestration in the absence of an approved budget or continuing resolution.

Because we derive substantially all of our revenue from contracts with the federal, state, and local governments, we believe that the success and development of our business will continue to depend on our successful participation in federal, state, and local contract programs. Since the majority of our revenue comes from the USG, changes in USG budgetary priorities, such as for homeland security or to address global pandemics like COVID-19, Social Security or Medicare reform, or actions taken to address government budget deficits, the national debt, and/or prevailing economic conditions, could directly affect our financial performance. If the USG imposes sequestration in the absence of an approved budget or CR our participation in USG contract programs could be impaired. A significant decline in USG expenditures, a shift of expenditures away from programs that we support or a change in USG contracting policies could cause USG agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty or not to exercise options to renew contracts.

At times, we may continue to work without funding, and use our own internal funds to meet our customer's desired delivery dates for products or services. It is uncertain at this time which of our programs' funding could be reduced in future years or whether new legislation will be passed by Congress in the next fiscal year that could result in additional or alternative funding cuts.

If we fail to establish and maintain important relationships with government entities and agencies, our ability to successfully bid for new business may be adversely affected.

To facilitate our ability to prepare bids for new business, we rely in part on establishing and maintaining relationships with officials of various government entities and agencies. These relationships enable us to provide informal input and advice to government entities and agencies prior to the development of a formal bid. We may be unable to successfully maintain our relationships with government entities and agencies, and any failure to do so may adversely affect our ability to bid successfully for new business and could cause our actual results to differ materially and adversely from those anticipated.

We derive significant revenue from contracts and task orders awarded through a competitive bidding process. If we are unable to consistently win new awards over any extended period, our business and prospects will be adversely affected.

Our contracts and task orders with the USG are typically awarded through a competitive bidding process. We expect that much of that business we will seek in the foreseeable future will continue to be awarded through competitive bidding. Budgetary pressures and changes in the procurement process have caused many government customers to increasingly purchase goods and services through IDIQ contracts, GSA schedule contracts and other GWACs. These contracts, some of which are awarded to multiple contractors, have increased competition and pricing pressure, requiring that we make sustained post-award efforts to realize revenue under each such contract.

This competitive bidding process presents a number of risks, including the following:

- we bid on programs before the completion of their design, which may result in unforeseen technological difficulties and cost overruns;
- we expend substantial cost and managerial time and efforts to prepare bids and proposals for contracts that we may not win;
- we may be unable to estimate accurately the resources and cost structure that will be required to service any contract we win; and
- we may encounter expense and delay if our competitors protest or challenge awards or contracts to us in competitive bidding, and any such protest or challenge could result in the resubmission of bids on modified specifications, or in termination, reduction, or modification of the awarded contract.

If we are unable to win particular contracts we may be prevented from providing services to customers that are purchased under those contracts for a number of years. If we are unable to consistently win new contract awards over any extended

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period, our business and prospects will be adversely affected and that could cause our actual results to differ materially and adversely from those anticipated. If we are unable to win prime contracts, or acquire companies with prime contract vehicles, our business and prospects will be adversely affected. In addition, upon the expiration of a contract, if the customer requires further services of the type provided by the contract, there is frequently a competitive rebidding process. There can be no assurance that we will win any particular bid, or that we will be able to replace business lost upon expiration or completion of a contract and the termination or non-renewal of any of our significant contracts could cause our actual results to differ materially and adversely from those anticipated.

Our business may suffer if we or our employees are unable to obtain the security clearances or other qualifications needed to perform services for our customers.

Many of our USG contracts require us to have security clearances and employ personnel with specified levels of education, work experience, and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees lose or are unable to obtain necessary security clearances, we may not be able to win new business and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not generate the revenue anticipated from the contract which could cause our results to differ materially and adversely from those anticipated.

If our prime contractors fail to maintain their relationships with the applicable governmental agency and fulfill their contractual obligations, our performance as a subcontractor and our ability to obtain future business could be materially and adversely impacted and our actual results could differ materially and adversely from those anticipated.

Our performance as a subcontractor on a government contract is dependent on our prime contractor's ability to satisfactorily maintain its relationship with the applicable government agency and fulfilling fulfill its obligations under their contract. A failure by our prime contractor to fulfill its obligations under their contract could result in the termination of the prime contract, thereby resulting in the termination of our subcontract. If any significant subcontract is terminated in this manner, it could cause our actual results to differ materially and adversely from those anticipated.

The USG's appropriation process and other factors may delay the collection of our receivables, and our business may be adversely affected if we cannot collect our receivables in a timely manner.

We depend on the timely collections of our receivables to generate cash flow, provide working capital, pay debt, and continue our business operations. If the USG or any of our other customers or any prime contractors for who which we are a subcontractor fail to pay or delays the payment of their outstanding invoices for any reason, our business and financial condition may be materially and adversely affected. The USG may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds, administrative error, or lack of an approved budget. If we experience difficulties collecting receivables, it could cause our actual results to differ materially and adversely from those anticipated.

The USG may change its procurement or other practices in a manner adverse to us.

The USG may change its procurement practices or adopt new contracting rules and regulations, such as those related to cost accounting standards. It could also adopt new contracting methods relating to GSA contracts or other government-wide contracts, adopt new socio-economic requirements, or change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements. In all such cases, there is uncertainty surrounding the changes and what actual impacts they may have on contractors. These changes could impair our ability to obtain new contracts or win re-competed contracts or adversely affect our future profit margin. Any new contracting methods could be costly or administratively difficult for us to satisfy and, as a result, could cause actual results to differ materially and adversely from those anticipated.

Our contracts and administrative processes and systems are subject to audits and cost adjustments by the USG, which could reduce our revenue, disrupt our business, or otherwise adversely affect our operating results.

USG agencies routinely audit and investigate government contracts and government contractors' administrative processes and systems. These agencies review our performance on contracts, pricing practices, cost structure, and compliance with applicable laws, regulations, and standards. They also evaluate the adequacy of internal controls over our business systems, including our purchasing, accounting, estimating, earned value management, and government property systems. Any costs found to be improperly allocated or assigned to contracts will not be reimbursed, and any such costs already reimbursed

must be refunded and certain penalties may be imposed. Moreover, if any of the administrative processes and systems are found not to comply with requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts or collect our revenue in a timely manner. Therefore, an unfavorable outcome of an audit by the DCAA or another government agency could cause actual results to differ materially and adversely from those anticipated. If a government investigation uncovers improper or illegal activities, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines, and suspension or debarment from doing business with the USG. In addition, we could suffer

serious reputational harm if allegations of impropriety were made against us. Each of these results could cause actual results to differ materially and adversely from those anticipated.

We may not receive the full amounts authorized under the contracts included in our backlog, which could reduce our revenue in future periods below the levels anticipated.

Our total backlog consists of funded and unfunded amounts. Funded backlog represents contract value from funds appropriated by the U.S. Congress ("Congress") and obligated by the customer which is expected to be recognized as revenue. Unfunded backlog represents the sum of the unappropriated contract value on executed contracts and unexercised option years that is expected to be recognized as revenue. The primary risks that could affect our ability to recognize revenue from backlog on a timely basis or at all are: program schedule changes, contract modifications, and our ability to assimilate and deploy new consulting staff against funded backlog; cost-cutting initiatives and other efforts to reduce USG spending, which could reduce or delay funding for orders for services; and delayed funding of our contracts due to delays in the completion of the USG's budgeting process and the use of CRs by the USG to fund its operations. The amount of our funded backlog is also subject to change, due to, among other factors: changes in congressional appropriations that reflect changes in USG policies or priorities resulting from various military, political, economic, or international developments; changes in the use of USG contracting vehicles, and the provisions therein used to procure our services and adjustments to the scope of services, or cancellation of contracts, by the USG at any time. In addition, contract backlog includes orders under contracts for which the period of performance has expired, and we may not recognize revenue on the funded backlog that includes such orders due to, among other reasons, the tardy submission of invoices by our subcontractors and the expiration of the relevant appropriated funding in accordance with a predetermined expiration date such as the end of the USG's fiscal year. Our backlog may not result in actual revenue in any particular period, or at all, which could cause our actual results to differ materially and adversely from those anticipated.

Without additional Congressional appropriations, some of the contracts included in our backlog will remain unfunded, which could materially and adversely affect our future operating results.

Many of our USG contracts include multi-year performance periods in which Congress appropriates funds on an annual basis. A majority of our contracts are only partially funded at any point during their full performance period and unfunded contract work is subject to future appropriations by Congress. As a result of a lack of appropriated funds or efforts to reduce USG spending, our backlog may not result in revenue or may be delayed. If our backlog estimate is inaccurate and we fail to realize those amounts as revenue, our future operating results could be materially and adversely affected.

Employee misconduct, including security breaches, could result in the loss of customers and our suspension or debarment from contracting with the USG.

We may be unable to prevent our employees from engaging in misconduct, fraud, or other improper activities that could adversely affect our business and reputation. Misconduct could include the failure to comply with USG procurement regulations, regulations regarding the protection of classified information, and legislation regarding the pricing of labor and other costs in government contracts. Many of the systems we work on involve managing and protecting information involved in national security and other sensitive government functions. A security breach in one of these systems could prevent us from having access to such critically sensitive systems. Other examples of employee misconduct could include timecard fraud and violations of the Anti-Kickback Act of 1986. The precautions we take to prevent and detect this activity may not be effective, and we could face unknown risks or losses. As a result of employee misconduct, we could face fines and penalties, loss of security clearance and suspension or debarment from contracting with the USG, which could cause our actual results to differ materially and adversely from those anticipated.

We face intense competition and could fail to gain market share from our competitors, which could adversely affect our business, financial condition, and results of operations.

We obtain much of our business on the basis of proposals submitted in response to requests from potential and current customers, who may also receive proposals from other firms. The market for our products and services is intensely competitive and characterized by rapid changes in technology, customer requirements, industry standards, and frequent

new product introductions and improvements. We anticipate continued challenges from current competitors, which in many cases are more established and enjoy greater resources than us, as well as by new entrants into the industry. Non-traditional players have entered the market and have established positions related to such areas as cloud computing, cyber, satellite operations, and business systems. We also face indirect competition from certain government agencies that perform services for themselves similar to those marketed by us. If we are unable to anticipate or effectively react to these competitive challenges, our competitive position could weaken, and we could experience a decline in our growth rate or revenue that could adversely affect our business and results of operations.

In addition, some of our larger competitors have substantially broader product and service offerings and may be able to leverage their relationships with distribution partners and customers based on other products or services, or incorporate functionality into existing products to gain business in a manner that discourages users from purchasing our products, subscriptions and services, including by selling at zero or negative margins, product bundling, or offering closed technology platforms. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. As a result, even if the features of our platform or the quality of our services are superior, customers may not purchase our products or services. In addition, new innovative start-up companies, and larger companies that are making significant investments in research and development, may invent similar or superior products and technologies that compete with our platform. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition, and results of operations could be adversely affected.

Systems failures may disrupt our business and have an adverse effect on our operating results.

Any systems failures, including network, software, or hardware failures, whether caused by us, a third-party service provider, unauthorized intruders and hackers, computer viruses, natural disasters, power shortages or terrorist attacks, could cause loss of data or interruptions or delays in our business or that of our customers. Like other companies, we have experienced cyber security threats to our data and systems, our Company sensitive information, and our IT infrastructure, including attempted malware and computer virus attacks, unauthorized access, systems failures, and temporary disruptions. Prior attempted cyber-attacks directed at us have not had a material adverse impact on our business and financial results.

Many of the systems that we develop, integrate, maintain, otherwise support or use involve managing and protecting intelligence, national security, and other sensitive government information. A security breach or system failure in a system that we develop, integrate, maintain or otherwise support could result in a loss of revenue, remediation costs, claims for damages or contract termination and our errors and omissions liability insurance may be inadequate to compensate us from all the damages that we might incur. Any such event could also cause serious damage to our reputation and prevent us from having access to or being eligible further work on such sensitive systems for government customers.

In addition, to provide services to our customers, we often depend upon or use customer systems that are supported by the customer or third parties. Any security breach or system failure in such systems could result in an interruption of our customer's operations, significant delays under a contract, loss of revenue, claims for damages, contract termination, and have a material adverse effect on our results of operations.

Our insurance, including for errors and omissions liability and property and business interruption, may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our actual results could differ materially and adversely from those anticipated.

Our failure to adequately protect our confidential information and proprietary rights may harm our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter misappropriation of our proprietary information. In addition, we may be unable to detect unauthorized use of our proprietary information in order to take appropriate steps to enforce our rights. If we are unable to prevent third parties from infringing or misappropriating our proprietary information, our competitive position could be harmed, and our actual results could differ materially and adversely from those anticipated.

Our annual revenue and operating results could be volatile due to the unpredictability of the USG's budgeting process and policy priorities.

Our annual revenue and operating results may fluctuate significantly and unpredictably in the future. If the USG does not adopt, or delays adoption of, a budget for each fiscal year beginning on October 1, or fails to pass a CR, federal agencies may be forced to suspend our contracts and delay the award of new and follow-on contracts and orders due to a lack of funding. Further, the rate at which the USG procures technology may be negatively affected following changes in presidential administrations and senior government officials or by "divided government" where one political party controls the White House and another party controls Congress. Therefore, period-to-period comparisons of our operating results may not be a good indication of our future performance. Our annual operating results may not meet the expectations of securities analysts or investors, which in turn may have an adverse effect on the market price of our common stock.

We may lose money or generate less than anticipated profits if we do not accurately estimate the cost of an engagement which is conducted on a fixed-price basis.

We generated 7% of our total revenue in the year ended December 31, 2023, 8% of our total revenue in the year ended December 31, 2022, 19 percent and 19% of our total revenue in the year ended December 31, 2021, and 21 percent of our total revenue in the year ended December 31, 2020, from FFP contracts. FFP contracts require us to price our contracts by predicting our expenditures in advance. In addition, some of our engagements obligate us to provide ongoing maintenance and other supporting or ancillary services on a fixed-price basis or with limitations on our ability to increase prices. Many of our engagements are also on a time-and-material (T&M) T&M basis. To the extent that our actual labor costs are higher than the contract rates, our actual results could differ materially and adversely from those anticipated.

When making proposals for engagements on a FFP basis, we rely on our estimates of costs and timing for completing the projects. These estimates reflect our best judgment regarding our capability to complete the task efficiently. Any increased or unexpected costs or unanticipated delays in connection with the performance of FFP contracts, including delays caused by factors outside of our control, could make these contracts less profitable or unprofitable. If we encounter such problems in the future, our actual results could differ materially and adversely from those anticipated.

Our earnings and margins may vary based on the mix of our contracts and programs.

At December 31, 2022 December 31, 2023, our backlog included cost reimbursable, T&M, and FFP contracts. Cost reimbursable and T&M contracts generally have lower profit margins than FFP contracts. Our earnings and margins may therefore vary materially and adversely depending on the relative mix of contract types, the costs incurred in their performance, the achievement of other performance objectives and the state of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

The effects of health epidemics, pandemics and similar outbreaks may have material adverse effects on our business, financial position, results of operations, and/or cash flows.

We face various risks related to health epidemics, pandemics, and similar outbreaks, including the global outbreak of COVID-19. The COVID-19 pandemic and the mitigation efforts to control its spread have adversely impacted the U.S and global economies, leading to disruptions and volatility in global capital markets. The continued spread of COVID-19 may have a material adverse effect on our business, financial position, results of operations, and/or cash flows as the result of significant portions of our workforce being unable to work due to illness, quarantines, government actions, facility closures or other restrictions; the inability for us to fully perform on our contracts; delays or limits to the ability of the USG or other customers to make timely payments; incurrence of increased costs which may not be recoverable; adverse impacts on our access to capital; or other unpredictable events. We continue to monitor the effect of COVID-19 on our business, but we cannot predict the full impact of Covid-19 as the extent of the impact will depend on the duration and spread of the pandemic and the actions taken by federal, state, local, and foreign governments to prevent the spread of COVID-19.

U.S. Inflation is at a forty-year high which may adversely impact our business.

U.S. inflation is at a 40-year high. Because costs rise faster than revenues during the early phase of inflation, we may need to give higher than normal raises to employees, start new employees at higher wages and/or have increased cost of employee benefits, but not be able to pass the higher costs through to the government due to competition and government pressures. Therefore, we may be adversely affected (i) with lower gross

profit margins; (ii) by losing contracts which are lowest price technically acceptable ("LPTA") where another bidder underbids the real rates and then has difficulty staffing

the project; and (iii) by having difficulty maintaining our staff at current salaries. Given the long-term nature of the Company's contracts, we may be unable to take sufficient action to mitigate inflationary pressures.

Inflation may cause the Fed to increase interest rates thereby increasing our interest expense.

Sustained inflation **also** can cause the Federal Reserve Board and its Open Market Committee ("Fed") to raise the target for the federal funds rate **or keep it at a high level** which normally translates into an increase in most banks' "prime" rate. Because our notes with Live Oak Banking Company are both variable interest rate instruments tied to the prime rate, actions by the Fed to increase the federal funds rate **will or keep it high may** increase our cost of debt and our interest expense thereby reducing our pre-tax income and net income. Our borrowing costs have recently increased and **are expected to** **would** increase with future Fed interest rate increases, although the impacts have been and are expected to continue to be immaterial. Our contracts with U.S. federal, state, and local government customers do not permit us to pass along our increased financing costs. The increases to our borrowing costs have not impacted (and are not expected to impact) our ability to make timely payments.

Risks Related to our Acquisitions

We may have difficulty identifying and executing acquisitions on favorable terms and therefore may grow more slowly than we historically have grown.

As part of our business strategy, we may acquire or make investments in complementary companies' services, products, or technologies. Through acquisitions, we have expanded our base of U.S. federal, state, and local governments customers, increased the range of solutions we offer to our customers and deepened our penetration of existing markets and customers. We may encounter difficulty identifying new acquisitions and executing suitable acquisitions due to lack of financing. To the extent that management is involved in identifying acquisition opportunities or integrating new acquisitions into our business, our management may be diverted from operating our core business. Without acquisitions, we may not grow as rapidly as we historically have grown, which could cause our actual results to differ materially and adversely from those anticipated. We may encounter other risks in executing our acquisition strategy, including:

- increased competition for acquisitions may increase the costs for our acquisitions;
- unreasonable expectations of companies related to their perceived versus actual value;
- our failure to discover material liabilities during the due diligence process, including the failure of prior owners of any acquired businesses or their employees to comply with applicable laws or regulations, such as the FAR and health, safety, and environmental laws, or their failure to fulfill their contractual obligations to the USG or other customers;
- our acquisitions may not ultimately strengthen our competitive position or allow us to achieve our goals, and any acquisitions we complete could be viewed negatively by our customers, analysts, and investors;
- acquisition financing may not be available on reasonable terms or at all;
- failure to properly integrate our acquisitions with our existing business thereby preventing the realization of potential synergies with the acquired business; and
- debt incurred in making acquisitions may reduce our financial flexibility to pursue other opportunities or invest in internal growth.

Each of these types of risks could cause our actual results to differ materially and adversely from those anticipated.

We may have difficulty integrating the operations of any companies we acquire, which could cause actual results to differ materially and adversely from what we anticipated.

The success of our acquisition strategy will depend on our ability to continue to successfully integrate any businesses we may acquire in the future. The integration of these businesses into our operations may result in unforeseen operating difficulties, absorb significant management attention, and require significant financial resources that would otherwise be available for the ongoing development of our business. These integration difficulties include the integration of personnel with disparate business backgrounds, the transition of new information systems, coordination of geographically dispersed organizations, loss of key employees of acquired companies, and reconciliation of different corporate cultures. For these or other reasons, we may be unable to retain key customers of acquired companies. Moreover, any acquired business may fail to generate the revenue or net income we expected or produce the efficiencies or cost-savings we anticipated. Any of these outcomes could cause our actual results to differ materially and adversely from those anticipated.

We have substantial investments in recorded goodwill as a result of prior acquisitions and a change in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income.

Goodwill accounts for \$15,533,964 \$10,716,907 of our recorded total assets as of December 31, 2022 December 31, 2023. We evaluate the recoverability of recorded goodwill amounts annually or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Principally, a decrease in expected reporting unit cash flows or changes in market conditions may indicate potential impairment of recorded goodwill. If there is an impairment, we would be required to write down the recorded amount of goodwill, which would be reflected as a charge against operating income and would reduce the value of our total assets and our total equity on our balance sheet. During the third quarter of 2023, due to decline in stock price, Management determined that a triggering event occurred representing an indicator of goodwill impairment, resulting in a non-cash charge of \$6,919,094.

Risks Related to our Indebtedness

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

We have substantial indebtedness. We have approximately \$13,123,878 (or \$10,073,293 net of debt discount) \$12,456,407 of debt as of December 31, 2022 December 31, 2023, the majority of which matures originally matured in calendar year 2024, 2024 and the terms of which have subsequently been amended to extend the maturity date to calendar year 2026. See subsequent events under Note 16 Part II Item 8. Financial Statements on this Annual Report on Form 10-K. Should our business fail to generate cash flow from operations sufficient to service our debt and make necessary capital expenditures we may be required to adopt one or more alternatives, such as selling assets, restructuring debt, or obtaining equity capital on terms that may be onerous or highly dilutive. Such a "fire sale" would materially and adversely affect the value of our common stock.

Risks Related to our Common Stock and Preferred Stock

Future sales or potential sales of our common stock in the public market could cause our share price to decline.

If the existing holders of our common stock, particularly our directors, officers, and other 5% stockholders, sell a large number of shares, they could adversely affect the market price for our common stock. Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline.

Because we will not pay dividends on our common stock in the foreseeable future, holders of common stock will only benefit from owning common stock if it appreciates.

We have never paid cash dividends on our common stock, and we do not intend to do so in the foreseeable future. We intend to retain any future earnings to finance our growth. However, the holders of our Series A preferred stock and Series C preferred stock receive cash dividends and have seniority in liquidation preference to the holders of our common stock. Accordingly, any potential investor who anticipates the need for current dividends from his investment should not purchase our common stock.

Shares Low Trading Price of Common Stock on the NYSE American

Our common stock was approved for listing on the NYSE American and began trading there on October 13, 2022. The closing price of our common stock has been below \$1.00 for more than thirty (30) consecutive trading days. In the case of a company whose common stock sells for a low price per share for a substantial period of time, the NYSE American continued listing rules permit the exchange to de-list a listed company in the event it fails to effect a reverse split of such shares within a reasonable time after being notified that the exchange deems such action to be appropriate under the circumstances. We have not been registered under federal securities laws are subject to resale restrictions imposed by Rule 144, including those set forth in Rule 144(i) which apply to a former "shell company."

The Company was once an entity with no or nominal operations and no or nominal non-cash assets (otherwise known as a "shell company"). Pursuant to Rule 144 promulgated under the Securities Act, sales of the securities of a former shell company, received any such as us, under Rule 144 are not permitted (i) until at least 12 months have elapsed notification from the date on which we have first filed current "Form 10 information," reflecting our status as a non-shell company with the SEC and (ii) unless at the time of a proposed sale, we are subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As of September 2, 2022, we became subject to the reporting rules under the Exchange Act and expect to remain subject to the reporting requirements under the Exchange Act. Sales may not be made under Rule 144 unless we are in compliance with the requirements of Rule 144. Further, NYSE American but could receive it will be more difficult for us to raise funding to support our operations through the sale of debt or equity securities unless we agree to register such securities under the Securities Act which could cause us to expend significant time and cash resources.

Additionally, our previous status as a shell company could also limit our use of our securities to pay for any acquisitions we may seek to pursue in the future. The lack of liquidity In the event we received such a notice from the NYSE American and failed to comply within a reasonable time after receiving such notice with its request to effect a reverse stock split of our securities as a result common shares, our shares of common stock could be delisted from the inability to sell under Rule 144 for a longer period of time than a non-former shell company could adversely affect our stock price.

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NYSE American.

Our failure to meet the continued listing requirements of the NYSE American could result in a delisting of our common stock and subject us to the penny stock rules.

Our common stock was approved for listing on the NYSE American and began trading there on October 13, 2022; however, if we subsequently fail to meet any of NYSE American's continued listing requirements, our common stock may be delisted. In addition, our Board may determine that the cost of maintaining our listing on a national securities exchange outweighs the benefits of such listing. A delisting of our common stock from the NYSE American may materially impair our stockholders' ability to buy and sell our common stock and could have an adverse effect on the market price of, and the efficiency of the trading market for, our common stock. The delisting of our common stock could significantly impair our ability to raise capital and the value of your investment. The delisting of our common stock would also subject us to the rules adopted by the SEC that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or authorized for quotation on certain automated quotation systems, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, before a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document containing specified information. In addition, the penny stock rules require that before effecting any transaction in a penny stock not otherwise exempt from those rules, a broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive (i) the purchaser's written acknowledgment of the receipt of a risk disclosure statement; (ii) a written agreement to transactions involving penny stocks; and (iii) a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our common stock, and as a result, stockholders may have difficulty selling their shares.

We are an “emerging growth company” and will be able to avail ourselves of reduced disclosure requirements applicable to emerging growth companies, which could make our common stock less attractive to investors.

We are an “emerging growth company,” as defined in the JOBS Act and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies” including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We may take advantage of these reporting exemptions until we are no longer an “Emerging Growth Company.” We will remain an “Emerging Growth Company” until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1,235,000,000 or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of the public offering; (iii) the date on which we have issued more than \$1,000,000,000 in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our financial condition and profitability and we may take tax positions that the Internal Revenue Service or other tax authorities may contest.

We are subject to income taxes in the U.S. Significant judgments and estimates are required to be made in determining our provision for income taxes. Changes in estimates of projected future operating results, loss of deductibility of items, recapture of prior deductions, limitations on our ability to utilize tax net operating losses in the future, or changes in assumptions regarding our ability to generate future taxable income could result in significant increases to our tax expense and liabilities that could adversely affect our financial condition and profitability.

We have in the past and may in the future take tax positions that the Internal Revenue Service (“IRS”) or other tax authorities may contest. We are required by an IRS regulation to disclose particular tax positions to the IRS as part of our tax returns for that year and future years. If the IRS or other tax authority successfully contests a tax position that we take, we may be required to pay additional taxes, interest, or fines that may adversely affect our results of operations and financial position.

Anti-takeover provisions in our charter documents and Nevada law could discourage, delay, or prevent a change in control of our Company and may affect the trading price of our common stock.

We are a Nevada corporation and the anti-takeover provisions of the Nevada Revised Statutes may discourage, delay, or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change in control would be beneficial to our existing stockholders. An interested stockholder is a person who, together with the affiliates and associates, beneficially owns (or within the prior two years, did beneficially own) 10 percent or more of the Company's capital stock entitled to vote. In addition, our amended and restated articles of incorporation, as amended (the “Amended and Restated Articles of Incorporation”) and amended and restated bylaws (the “Amended and Restated Bylaws”) may discourage, delay, or prevent a change in our management or control over us that stockholders may consider favorable. Our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws (i) authorize the issuance of “blank check” preferred stock that could be issued by our Board to thwart a takeover attempt; (ii) provide that vacancies on our Board, including newly created directorships, may be filled by a majority vote of directors then in office, (iii) provide that the Board shall have the sole power to adopt, amend, or repeal the Amended and Restated Bylaws, and (iv) requires a stockholder to provide advance written notice of a stockholder proposal.

Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws contain an exclusive forum provision, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or agents.

Our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws provide that, to the fullest extent permitted by law, and unless the Company consents in writing to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada, shall, to

the fullest extent permitted by law, be the sole and exclusive forum for state law claims with respect to: (a) any derivative action or proceeding brought in the name or right of the Company or on its behalf, (b) any action asserting a claim for breach of any fiduciary duty owed by any director, officer, employee, or agent of the Company to the Company or the Company's stockholders, (c) any action arising or asserting a claim arising pursuant to any provision of Nevada Revised Statutes Chapters 78 or 92A or any provision of the Amended and Restated Articles of Incorporation or the Amended and Restated Bylaws, or (d) any action asserting a claim governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce, or determine the validity of the Amended and Restated Articles of Incorporation or the Amended and Restated Bylaws. Pursuant to Article IX of the Amended and Restated Articles of Incorporation and pursuant to Article XIII of the Amended and Restated Bylaws, and for the avoidance of doubt, this exclusive forum provision shall not be applicable to any action brought under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act") and that unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act or the Exchange Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all **suits** **suits** brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and consented to the provisions of Article IX of our Amended and Restated Articles of Incorporation and Article XIII of our Amended and Restated Bylaws. There exists uncertainty, however, as to whether such forum selection provisions of our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws would be enforced by a court.

The choice of forum provision in our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws may limit our stockholders' ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, employees, or agents, which may discourage such lawsuits against us and our directors, officers, employees, and agents even though an action, if successful, might benefit our stockholders. The applicable courts may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. With respect to the provision making the Eighth Judicial District Court of Clark County, Nevada the sole and exclusive forum for certain types of actions, stockholders who do bring a claim in the Eighth Judicial District Court of Clark County, Nevada could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Nevada. Finally, if a court were to find this provision of our Amended and Restated Articles of Incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings,

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we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on us.

Our management collectively owns a substantial amount of our common stock.

Collectively, our officers and directors own or exercise voting and investment control of approximately **45.0%** **44.4%** of our outstanding common stock and control **44.4%** **43.8%** of the voting power of the Company. As a result, unless required by a stock exchange rule, investors may be prevented from affecting matters involving our Company, including:

- the composition of our Board of Directors (the "Board") and, through it, any determination with respect to our business direction and policies, including the appointment and removal of officers;
- any determination with respect to mergers or other business combinations;
- our acquisition or disposition of assets; and
- our corporate financing activities.

Furthermore, this concentration of voting power could have the effect of delaying, deterring, or preventing a change of control or other business combination that might otherwise be beneficial to our stockholders. This significant concentration of share ownership may also adversely affect the trading price of our common stock because investors may perceive disadvantages in owning stock in a Company that is controlled by a small number of stockholders.

Although our Company does not intend to utilize the controlled company exemptions to the NYSE American corporate governance listing standards, if we are eligible to utilize the controlled company exemptions in the future, we may choose to do so. In such instance we would be exempted from, among other things, the requirements to have a board with a majority of independent members and the requirement that we have a nominating and governance committee and compensation committee that are composed entirely of independent directors and have written charters addressing the respective committee's purpose and responsibilities. Our Company's reliance on such exemption would likely result in a reduction in transparency to shareholders on various governance matters which could negatively impact their investment decisions.

If we fail to establish and maintain an effective system of internal control or disclosure controls and procedures are not effective, we may not be able to report our financial results accurately and timely or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Section 404 of the Sarbanes-Oxley Act of 2002 ("Section 404"), requires that we maintain internal control over financial reporting that meets applicable standards. We may err in the design or operation of our controls, and all internal control systems, no matter how well designed and operated, can provide only reasonable assurance that the objectives of the control system are met. Because there are inherent limitations in all control systems, there can be no assurance that all control issues have been or will be detected. If we are unable, or are perceived as unable, to produce reliable financial reports due to internal control deficiencies, investors could lose confidence in our reported financial information and operating results, which could result in a negative market reaction and a decrease in our stock price.

There can be no assurances that weakness in our internal controls will not occur in the future. If we identify new material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting (if and when required), we may be late with the filing of our periodic reports, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. As a result of such failures, we could also become subject to investigations by the stock exchange on which our securities are listed, NYSE American, the SEC, or other regulatory authorities, and become subject to litigation from investors and stockholders, which could harm our reputation, financial condition, or divert financial and management resources from our core business and would have a material adverse effect on our business, financial condition, and results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

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Risk management and strategy

The Company recognizes the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard our information systems and protect the confidentiality, integrity, and availability of our data.

Managing Material Risks & Integrated Overall Risk Management

Castellum strategically integrated cybersecurity risk management into our broader risk management framework to promote a company-wide culture of cybersecurity risk management. This integration ensures that cybersecurity considerations are an integral part of our decision-making processes at every level. Our IT department continuously evaluates and addresses cybersecurity risks in alignment with our business objectives and operational needs.

Engage Third-parties on Risk Management

Recognizing the complexity and evolving nature of cybersecurity threats, the Company engages with a range of external experts, including cybersecurity assessors, consultants, and auditors in evaluating and testing our critical systems. These partnerships enable us to leverage specialized knowledge and insights, ensuring our cybersecurity strategies and processes remain at the forefront of industry best practices. Our collaboration with these third parties includes periodic audits, threat assessments, and consultation on security enhancements.

Oversee Third-party Risk

Because we are aware of the risks associated with third-party service providers, the Company implements stringent processes to oversee and manage these risks. We conduct thorough security assessments of all third-party providers before engagement and maintain ongoing monitoring to ensure compliance with our cybersecurity standards. The monitoring includes quarterly assessments by our Vice President of Technology and Deployment (the "VP of Technology") and on an ongoing basis by our security engineers. This approach is designed to mitigate risks related to data breaches or other security incidents originating from third parties.

Risks from Cybersecurity Threats

We have not encountered cybersecurity challenges that have materially impaired our operations or financial standing.

Governance

The Board is acutely aware of the critical nature of managing risks associated with cybersecurity threats. The Board has established oversight mechanisms to ensure effective governance in managing risks associated with cybersecurity threats because we recognize the significance of these threats to our operational integrity and stakeholder confidence. The Board is briefed on a periodic basis as to the nature of actions taken to mitigate risks from cyberattacks.

Board of Directors Oversight

The Audit Committee is central to the Board's oversight of cybersecurity risks and bears the primary responsibility for this domain. The Audit Committee is composed of board members with diverse expertise including, risk management, technology, and finance, equipping them to oversee cybersecurity risks effectively.

Management's Role Managing Risk

The VP of Technology and Deployment and the CEO play a pivotal role in informing the Audit Committee on cybersecurity risks. They provide comprehensive briefings to the Audit Committee on a semi-annual basis, with a minimum frequency of once per year. These briefings encompass a broad range of topics, including:

- Current cybersecurity landscape and emerging threats;
- Status of ongoing cybersecurity initiatives and strategies;
- Incident reports and learnings from any cybersecurity events; and
- Compliance with regulatory requirements and industry standards.

Item 2. Properties

Our principal executive offices are located at 3 Bethesda Metro Center, Suite 700 Bethesda, Maryland 20814 in a shared office space leased from Regus. As of **December 31, 2022** **December 31, 2023**, our subsidiaries lease property at the following locations:

- St. Petersburg, Florida (Corvus)
- Augusta, Georgia (Corvus)
- Vienna, Virginia (Merrison)

- Augusta, Georgia
- Vienna, Virginia
- Toms River, New Jersey
- Hollywood, Maryland
- Toms River, New Jersey (SSI)

We believe our existing facilities are adequate to meet our current requirements. We do not own any real property.

Item 3. Legal Proceedings

As a commercial enterprise and employer, the Company and our subsidiaries are subject to threatened litigation and other legal actions in the ordinary course of business, including employee-related matters, inquiries, and administrative proceedings regarding our employment practices or other matters. Neither our Company nor any of our subsidiaries is a party to any legal proceeding that, individually or in the aggregate, we believe to be uncovered by insurance or otherwise material to our Company as a whole.

Item 4 Mine Safety Disclosures

Not applicable.

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Part II

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

Market Price of Our Common Stock

Until October 13, 2022, our common stock was quoted on the OTC Pink Marketplace operated by OTC Markets Group Inc. under the trading symbol "ONOV". Since October 13, 2022, our common stock has been listed for trading on the [New York Stock Exchange \("NYSE"\)](#) NYSE American under the symbol "CTM".

Holders of Record

As of [March 10, 2023](#) [March 15, 2024](#), there were [42,255,592](#) [53,029,915](#) shares of common stock outstanding held by approximately [211](#) [214](#) holders of record (not including an indeterminate number of beneficial holders of stock held in street name), and the last reported sale price of our common stock on the NYSE American on [March 10, 2023](#) [March 15, 2024](#) was [\\$1.05](#).

[\\$0.27](#).

Dividend Policy

To date, we have not paid any dividends on our common stock and do not anticipate paying any dividends on our common stock in the foreseeable future. We have paid cash dividends to holders of our Series A preferred stock and Series C preferred stock and currently expect that comparable cash dividends will continue to be paid in the future. The declaration and payment of dividends on our common stock is at the discretion of our Board of Directors and will depend on, among other things, our operating results, financial condition, capital requirements, contractual restrictions, or such other factors as our Board of Directors may deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

See the section titled "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for information regarding securities authorized for issuance.

Unregistered Sales of Securities

Unless specifically noted otherwise, the issuances described in this subsection were made in reliance on the private placement exemption pursuant to Section 4(a)(2) of the Securities Act because the issuances did not involve a public offering.

2023 Issuances

On November 20, 2023, we issued an aggregate of 30,000 shares of common stock to four advisory board members in consideration of services rendered, which we valued at approximately \$28,560.

2022 Issuances

Common Stock

In the three months ended March 31, 2022, we issued (a) 15,000 shares of common stock in accordance with the Series C Preferred Stock subscription agreements, (b) 15,000 shares of common stock in the exercise of stock options, for which we received \$12,000, and (c) 7,500 shares of common stock that vest over twelve months to an advisory board member, which we valued at approximately \$30,000.

In April, 2022, we also issued (a) 7,500 shares of common stock in consideration of professional services rendered, which we valued at approximately \$30,000, and (b) 125,000 shares of common stock to Robert Eisiminger as a commitment fee to enter into a promissory note valued at \$500,000.

On April 4, 2022, we entered into a Securities Purchase Agreement ("SPA") with Crom Cortana Fund LLC ("Crom"). Among other things, the SPA includes (a) the issuance of 656,250 warrants that mature April 4, 2027, with an exercise price of \$1.84 per share; and (b) the issuance of 1,250,000 common shares at \$0.40 per share. As further inducement to enter into the SPA, Crom was issued 125,000 common shares.

As consideration for our acquisition of the assets of Lexington Solutions Group, LLC ("LSG") on May 4, 2022, the Company issued 600,000 shares of common stock, which we valued at approximately \$3,000,000, set forth in the Amendment No. 1 to the LSG Business Acquisition Agreement.

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In May, 2022, 535,000 shares of Series B preferred stock were converted into 2,675,000 shares of common stock, and 7,500 shares of common stock were issued in consideration for professional services rendered, which we valued at approximately \$34,000.

In October, 2022, the two remaining holders of the Series B Preferred Stock converted all of the remaining shares of Series B Preferred Stock outstanding into 15,375,000 shares of common stock.

In connection with the Company's Reverse Stock Split, on October 27, 2022, we issued 1,231 shares of common stock to existing shareholder accounts with fractional shares representing "round up" shares.

On November 7, 2022, we issued 25,000 shares of common stock in connection with our acquisition of the assets of LSG pursuant to the post-closing adjustment set forth in Amendment No. 1 to the LSG Business Acquisition Agreement, which we valued at approximately \$30,000.

On November 16, 2022, we issued a total of 60,000 shares of common stock to three subcontractors for professional services rendered, which we valued at approximately \$50,000.

We issued 100,000 shares of common stock on December 15, 2022, in connection with the conversion of \$160,000 of principal of the Crom Note Payable.

Stock Options

On January 1, 2022, we granted stock options to employees, directors, and officers to purchase a total of 725,000 shares of common stock at an exercise price ranging from \$3.30 to \$3.40.

On April 1, 2022, we granted stock options to a consultant to purchase 10,000 shares of our common stock at an exercise price of \$3.40.

On April 25, 2022, we granted stock options to an officer to purchase 1,800,000 shares of our common stock at an exercise price of \$3.80.

On November 11, 2022, we granted stock options to an employee to purchase 50,000 shares of our common stock at an exercise price of \$2.00.

Warrants

On April 4, 2022, we issued warrants to Crom in accordance with the SPA to purchase 656,250 shares of common stock at an exercise price of \$1.84 per share which expire on April 4, 2027.

On May 2, 2022, we issued warrants to two executive officers pursuant to the terms of their employment agreements to purchase an aggregate of 361,017 shares of common stock at an exercise price of \$3.80 per share.

On October 17, 2022, we issued warrants to three executive officers pursuant to the terms of their employment agreements to purchase an aggregate of 1,500,000 shares of common stock at an exercise price of \$2.00 per share.

Line of Credit

On March 28, 2022, we entered into a \$950,000 revolving line of credit promissory note with Live Oak Banking Company that has a maturity date of March 28, 2029. The note has a per annum interest rate equal to the prime rate as quoted in the Wall Street Journal, plus 2.75%.

Convertible Note Payable

In connection with the SPA with Crom, we entered into a convertible promissory note dated April 4, 2022 in the amount of \$1,050,000 at 7% interest per annum which matures on April 4, 2023 and is convertible at a price of \$1.60 per share. On February 13, 2023, the Company entered into a series of transactions with Crom to pay off the total amount currently owed under the terms of the convertible promissory note. Refer to subsequent events in Note 16 under Part II, Item 8 on this Annual Report on Form 10-K for details.

2021 Issuances

Preferred Stock

On September 16, 2021, September 23, 2021, October 20, 2021, November 18, 2021, November 23, 2021, and December 9, 2021, we issued a total of 620,000 shares of Series C Preferred Stock, for proceeds of \$620,000, to various outside investors to finance the Company's operations, acquisitions, and development.

Common Stock

On April 29, 2021 and June 15, 2021, we issued 1,114,023 shares of common stock in connection with the acquisition of **MFSI, Mainnerve Federal Services, Inc.**, valued at approximately \$1,800,000.

On August 6, 2021, we issued 500,000 shares of common stock in connection with the acquisition of **Merrison Technologies, LLC**, valued at approximately \$1,700,000.

On August 25, 2021, we issued 2,600,000 shares of common stock in connection with the acquisition of **SSI, Specialty Systems, Inc. ("SSI")**, valued at approximately \$5,200,000.

On September 16, 2021, September 23, 2021, October 20, 2021, November 18, 2021, November 23, 2021, and December 9, 2021, we issued a total of 62,000 shares of common stock to the holders of the Series C Preferred Stock in accordance with the subscription agreements.

On October 26, 2021, we issued 32,095 shares of common stock in connection with the acquisition of SSI, valued at approximately \$64,000.

Stock Options

On January 1, 2021, we granted options to five advisory board members and one employee to purchase 150,000 shares of common stock at an exercise price of \$1.60 per share.

On February 21, 2021, we granted options to an employee to purchase 50,000 shares of common stock at an exercise price of \$1.00 per share.

On March 12, 2021, we granted options to an advisory board member to purchase 50,000 shares of common stock at an exercise price of \$1.80 per share for services rendered.

On April 1, 2021, we granted options to an employee to purchase 100,000 shares of common stock at an exercise price of \$1.80 per share.

On July 1, 2021, we granted options pursuant to the terms of an employment agreement to an officer of the Company to purchase 750,000 shares of common stock at an exercise price of \$1.60 per share.

On August 6, 2021, we granted options to three employees to purchase a total of 600,000 shares of common stock at an exercise price of \$3.40 per share.

On August 12, 2021, we granted options to three employees to purchase a total of 750,000 shares of common stock at an exercise price of \$3.40 per share.

On August 31, 2021, we granted options to an employee to purchase 12,500 shares of common stock at an exercise price of \$4.00 per share.

Warrants

On January 20, 2021, we issued warrants to two executive officers pursuant to the terms of their employment agreements to purchase an aggregate of 130,000 shares of common stock at an exercise price of \$1.60 per share.

On August 5, 2021, we issued warrants to two executive officers pursuant to the terms of their employment agreements to purchase an aggregate of 320,000 shares of common stock at an exercise price of \$3.40 per share.

On August 12, 2021, we issued warrants to two executive officers pursuant to the terms of their employment agreements to purchase an aggregate of 1,450,851 shares of common stock at an exercise price of \$2.00 per share.

On November 16, 2021, we issued warrants to two executive officers pursuant to the terms of their employment agreements to purchase an aggregate of 170,000 shares of common stock at an exercise price of \$4.00 per share.

Secured Note Payable

On August 11, 2021, we entered into a term loan promissory note with Live Oak Banking Company in the principal amount of \$4,000,000, that has a maturity date of August 11, 2024. The note is secured by all of the assets of the Company and has a per annum interest rate equal to the prime rate as quoted in the Wall Street Journal, plus three percentage points (3%).

Unsecured Note Payable

On August 12, 2021, we issued ~~the a note to Emil Kaunitz~~ Note, in the principal amount of \$400,000 that has a maturity date of December 31, 2024 and bears interest at a rate of five percent (5%). ~~The maturity date and other terms of this note were subsequently amended. See subsequent events under Note 16 Part II Item 8. Financial Statements on this Annual Report on Form 10-K.~~

Convertible Note Payable

On February 1, 2021, the First Buckhout Charitable Remainder Trust ("BCR") Trust Note and the Second BCR Trust Note, which were issued in connection with acquisition of Corvus Consulting, Inc. ("Corvus") LLC were combined into one new note in the principal amount of \$4,279,617 referred to as the Third BCR Trust Note, that has a maturity date of February 1, 2024. The interest rate remains at five percent (5%) per annum and required monthly principal payments of \$10,000. The Third BCR Trust Note is convertible into common stock of the Company at \$0.26 per share.

2020 Issuances

Common Stock

On May 2, 2020, we issued 550,000 shares of common stock, which we valued at approximately \$110,000, to a director in partial satisfaction for the repayment of a director's notes plus accrued interest.

On June 12, 2020, we issued 110,000 shares of common stock at \$1.00 per share to two existing stockholders of the Company, which we valued at \$110,000.

On August 10, 2020, we issued 6,732 shares of common stock at \$1.49 per share to the former chief executive officer of Corvus, which we valued at approximately \$10,000.

Stock Options

On January 21, 2020, we granted options to two advisory board members to purchase 100,000 shares of common stock at an exercise price of \$0.80 per share for services rendered.

On February 1, 2020, we granted options to an advisory board member and employees to purchase 1,209,375 shares of common stock at an exercise price of \$0.80 per share.

Convertible Note Payable

On March 31, 2020, in connection with our acquisition of Corvus, we issued the Second BCR Trust Note in the principal amount of \$670,138 that had a The maturity date and other terms of November 21, 2022. The Second BCR Trust this note were subsequently amended. See subsequent events under [Note had an interest rate of five percent \(5%\) and is convertible into common stock of the Company at \\$0.26 per share.](#)

[16](#) Part II Item 8. Financial Statements on this Annual Report on Form 10-K.

Use of Proceeds

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On October 12, 2022, the registration statement on Form S-1 (File No. 333-267249) for our initial public offering ("Public Offering") of our common stock was declared effective by the Securities and Exchange Commission (the "SEC"). On October 17, 2022, we closed our Public Offering and 1,500,000 shares of our common stock were issued and sold at a public offering price of \$2.00 per share. The shares of common stock sold consisted of 1,350,000 shares offered by us and 150,000 shares offered by an existing stockholder, for an aggregate proceeds of \$3,000,000. We received \$2,700,000 in offering proceeds before deducting underwriting discounts and offering expenses. We did not receive any proceeds from the sale of shares of our common stock by the selling stockholder.

The underwriters of our Public Offering were EF Hutton, division of Benchmark Investments, LLC and Joseph Gunnar & Co. LLC. We paid the underwriters of our Public Offering underwriting discounts and commissions and incurred offering costs totaling approximately \$700,000. Thus, our net offering proceeds, after deducting underwriting discounts and commissions and offering expenses, were approximately \$2,000,000. Other than the proceeds payable directly to the selling stockholder, no payments were made to our directors or officers or their associates, holders of 10% or more of any class of our equity securities, or any affiliates, other than payments in the ordinary course of business to officers for payments made in connection with their employment agreements.

There has been no material change in the planned use of proceeds from our Public Offering as described in our final prospectus dated October 12, 2022 and filed with the SEC on October 14, 2022 pursuant to Rule 424(b)(4) of the Securities Act. As [planned, we paid \\$500,000 to satisfy, in part, principal remaining under the amended and restated convertible promissory note payable to the Buckhout Charitable Remainder Trust, funded, in part, the acquisition of the date of this Annual Report on Form 10-K, we cannot predict with certainty all of the particular uses GTMR, and have used remaining funds for the net proceeds, or the amounts that we will actually spend on the uses set forth in the prospectus. working capital and general corporate purposes.](#)

Issuer Purchases of Equity Securities

We did not repurchase any equity securities during the year ended [December 31, 2022](#) [December 31, 2023](#).

Item 6. [Reserved]

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

The following discussion should be read in conjunction with the historical financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. Our actual results may differ materially from those expressed or contemplated in those forward-looking statements as a

result of certain factors, including those set forth under the headings "Forward-Looking Statements" and "Risk Factors" elsewhere in this Annual Report on Form 10-K.

Business Overview

We are a technology company focused on leveraging the power of information technology to help solve our nation's most pressing national security challenges. We provide USG clients in the United States government ("USG"), financial services, healthcare, and commercial clients other users of large data applications with Cybersecurity, Software Development, Systems Engineering, Information / Electronic Warfare, Program Support, and Data Analytics services. We also offer subject matter expertise in artificial services which include intelligence / machine learning, 5G technologies, model-based systems analysis, software development, software engineering, program management, strategic and mission planning, information assurance, intelligence analysis, cybersecurity and CMMC compliance. policy support, data analytics, and MBSE. In addition to constantly innovating and enhancing our organic capabilities, Castellum is executing strategic acquisitions of firms technology companies in the areas of cybersecurity, information technology ("IT"), electronic warfare, information warfare, and information operations with businesses in the defense, federal, civilian, and commercial markets that share our passionate commitment to U.S. national security and have a history of bringing exceptional value to their clients.

Recent Developments

On October 17, 2022, the Company closed its public offering of 1,500,000 shares of common stock consisting of 1,350,000 shares sold by the Company and 150,000 shares sold by certain selling stockholders, at a public offering price of \$2.00 per share. The Company's registration statement on Form S-1, as amended (File No. 333-267249) relating to the offering was declared effective by the U.S. Securities and Exchange Commission on October 12, 2022.

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On December 1, 2023, the Company filed a universal shelf registration statement on Form S-3 (File No. 333-275840) which was declared effective by the U.S. Securities and Exchange Commission on December 12, 2023.

Key Components of Our Results of Operations

Revenues

Our revenues are primarily derived from services provided to the U.S. federal, state and local governments. We currently generate our revenue from three different types of contractual arrangements: Cost Plus Fixed Fee ("CPFF"), Fixed Firm Price ("FFP") and Time and Materials ("T&M") contracts. For CPFF contracts, we use input progress measures to derive revenue based on hours worked on contract performance as follows: direct costs plus Defense Contract Audit Agency ("DCAA")-approved provisional burdens plus fee. The provisional indirect rates are adjusted and billed at actual at year end. Revenue from FFP contracts is generally recognized ratably over the contract term, using a time-based measure of progress, even if billing is based on other metrics or milestones, including specific deliverables. For T&M contracts, we use input progress measures to estimate revenue earned based on hours worked on contract performance at negotiated billing rates, plus direct costs and indirect cost burdens associated with materials and the direct expenses incurred in performance of the contract.

Cost of Revenues

Cost of Revenues include direct costs incurred to provide goods and services related to contracts, specifically labor, contracted labor, materials, and other direct costs, which includes rent, insurance, and software licenses. Cost of Revenues related to contracts is recognized as expense when incurred or at the time a performance obligation is satisfied.

Gross Profit and Gross Profit Margin

Our gross profit comprises our revenues less our cost of revenues. Gross profit margin is our gross profit divided by our revenues.

Operating Expenses

Our operating expenses include indirect costs, overhead, and general and administrative expenses.

- Indirect costs consist of expenses generally associated with bonuses and fringe benefits, including employee health and medical insurance, 401k matching contributions, and payroll taxes.
- Overhead consists of expenses associated with the support of operations or production, including labor for management of contracts, operations, training, supplies, and certain facilities to perform customer work.
- General and administrative expenses consist primarily of corporate and administrative labor expenses, administrative bonuses, legal expenses, IT expenses, and insurance expenses.

Realized Gain on Investment

Realized gain on investment related to a sale of an investment in a private company held by MFSI.

Interest Expense, Net of Interest Income

Interest expense consists of interest paid to service our convertible promissory notes which include the Amended BCR Trust Note, the Term Loan Promissory Note payable and revolving line of credit to Live Oak Banking Company, two promissory notes payable to Robert Eisiminger, the note payable to Emil Kaunitz, and the note payable to Crom Cortana Fund LLC net of interest earned from investments.

Income Tax (Provision) Benefit

Income taxes are accounted for under the asset and liability method. The current charge for income tax expense is calculated in accordance with the relevant tax regulations applicable to the entity. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in

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tax rates is recognized in income in the period that includes the enactment date. Differences between statutory tax rates and effective tax rates relate to permanent tax differences.

We follow ASC 740-10 Accounting for Uncertainty in Income Taxes. This requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. Management evaluates their tax positions on a quarterly basis.

Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax reporting purposes, net operating loss carryforwards, and other tax credits measured by applying currently enacted tax laws. When necessary, a valuation allowance is provided to reduce deferred tax assets to an amount that is more likely than not to be realized.

We file income tax returns in the U.S. federal tax jurisdiction and various state tax jurisdictions. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed. We have filed our **2020** **2021** and **2021** **2022** federal and state tax returns.

Results of Operations

The year to year comparisons of our results of operations have been prepared using the historical periods included in our audited consolidated financial statements. The following discussion should be read in conjunction with the audited consolidated financial statements and related notes

included elsewhere in this document.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

	Year Ended December 31,		Amount of Increase (Decrease)	% Change
	2023	2022		
Revenues	\$ 45,243,812	\$ 42,190,643	\$ 3,053,169	7.2 %
Cost of revenues	26,568,485	24,593,326	1,975,159	8.0 %
Gross profit	18,675,327	17,597,317	1,078,010	6.1 %
Operating expenses:				
Indirect costs	8,935,113	11,859,401	(2,924,288)	(24.7)%
Overhead	1,884,059	1,560,252	323,807	20.8 %
General and administrative expenses	17,697,886	13,586,600	4,111,286	30.3 %
Goodwill impairment loss	6,919,094	—	6,919,094	100.0 %
(Gain) Loss from change in fair value of contingent earnout	(92,000)	555,000	(647,000)	(116.6)%
Total operating expenses	35,344,152	27,561,253	7,782,899	28.2 %
Loss from operations	(16,668,825)	(9,963,936)	(6,704,889)	67.3 %
Other income (expense)	(2,388,470)	(4,124,506)	1,736,036	(42.1)%
Loss before income taxes and preferred stock dividends	(19,057,295)	(14,088,442)	(4,968,853)	35.3 %
Income tax benefit (expense)	1,257,117	(819,596)	2,076,713	(253.4)%
Net loss	(17,800,178)	(14,908,038)	(2,892,140)	19.4 %
Preferred stock dividend	118,152	100,516	17,636	17.5 %
Net loss to common shareholders	\$ (17,918,330)	\$ (15,008,554)	\$ (2,909,776)	19.4 %

Revenue

Total revenues increased by \$3,053,169 or 7.2% to \$45,243,812 for the year ended December 31, 2023 from \$42,190,643 for the year ended December 31, 2022. This increase in revenue was due to the acquisition of GTMR ("GTMR Acquisition"), partially offset by lost positions on ongoing contracts principally at SSI and Corvus reducing revenue.

Cost of revenues

Total cost of revenues increased by \$1,975,159 or 8.0% to \$26,568,485 for the year ended December 31, 2023 from \$24,593,326 for the year ended December 31, 2022. This increase was driven primarily by the net increased level of effort on contracts proportionate to the changes in revenue noted above.

Gross Profit

Total gross profit increased by \$1,078,010 or 6.1% to \$18,675,327 for the year ended December 31, 2023 from \$17,597,317 for the year ended December 31, 2022. This increase was driven by changes in revenue noted above.

Operating expenses

Total operating expenses increased by \$7,782,899 or 28.2% to \$35,344,152 for the year ended December 31, 2023 from \$27,561,253 for the year ended December 31, 2022. The decrease in indirect cost of \$(2,924,288) was driven primarily by a reduction in acquisition based bonuses to certain executives from 2022, as well as cost savings implemented in 2023. The increase in overhead costs of \$323,807 is related to increases in lease expense due to the GTMR Acquisition. The increase in general and administrative costs of \$4,111,286 consist of increases in non cash stock based compensation granted to certain employees, as well as increases in general and administrative salary expense as we in-sourced certain functions such as accounting and business development. The recognition of goodwill impairment resulted from a loss recorded during the third quarter of 2023. The decrease in the loss from change in fair value of contingent earnout is due to adjustments as we finalized the amount after the earnout period ended in late 2023.

Other income (expense)

Other income (expense) decreased by \$1,736,036 or (42.1)% to \$(2,388,470) for the year ended December 31, 2023 from \$(4,124,506) for the year ended December 31, 2022. This decrease was primarily driven by decreases in the fair value of the derivative liability offset by an increase in interest expense due to rate increases during 2023 on our variable rate debt under our agreement with Live Oak Bank.

Income tax benefit (expense)

Income tax benefit (expense) increased by \$2,076,713 or (253.4)% to \$1,257,117 for the year ended December 31, 2023 from \$(819,596) for the year ended December 31, 2022. This increase was primarily driven by the increase in deferred tax liabilities from the acquisition of GTMR and subsequent release of valuation allowance.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

	Year Ended December 31,		Amount of Increase (Decrease)	% Change		
	2022	2021				
Revenues	\$ 42,190,643	\$ 25,067,450	\$ 17,123,193	68.3 %		
Cost of revenues	24,593,326	13,992,898	10,600,428	75.8 %		
Gross profit	17,597,317	11,074,552	6,522,765	58.9 %		
Operating expenses:						
Indirect costs	11,859,401	3,409,649	8,449,752	247.8 %		
Overhead	1,560,252	850,999	709,253	83.3 %		
General and administrative expenses	13,586,600	14,539,053	(952,453)	(6.6)%		
Loss from change in fair value of contingent earnout	555,000	—	555,000	100.0 %		
Total operating expenses	27,561,253	18,799,701	8,761,552	46.6 %		
Loss from operations	(9,963,936)	(7,725,149)	(2,238,787)	29.0 %		
Other income (expense)	(4,124,506)	(2,477,924)	(1,646,582)	66.5 %		
Loss before income taxes and preferred stock dividends	(14,088,442)	(10,203,073)	(3,885,369)	38.1 %		
Income tax benefit (expense)	(819,596)	2,656,643	(3,476,239)	(130.9)%		
Net loss	(14,908,038)	(7,546,430)	(7,361,608)	97.6 %		

Preferred stock dividend	100,516	12,290	88,226	717.9 %
Net loss to common shareholders	\$ (15,008,554)	\$ (7,558,720)	\$ (7,449,834)	98.6 %

Revenue Revenues

Total revenues increased by \$17,123,193 or 68.3% to \$42,190,643 for the year ended December 31, 2022 from \$25,067,450 for the year ended December 31, 2021. This increase was driven largely by the contributions from the acquisitions of SSI and Merrison during the third quarter of 2021 as well as the contributions from LSG acquired during the second quarter of 2022.

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Cost of revenues

Total cost of revenues increased by \$10,600,428 or 75.8% to \$24,593,326 for the year ended December 31, 2022 from \$13,992,898 for the year ended December 31, 2021. This increase was driven primarily by the increased level of effort on contracts proportionate to the growth of revenues due to the acquisition activity noted above.

Gross Profit

Total gross profit increased by \$6,522,765 or 58.9% to \$17,597,317 for the year ended December 31, 2022 from \$11,074,552 for the year ended December 31, 2021. This increase was driven primarily by the growth in revenues due to contributions from SSI, Merrison and LSG, offset by costs of revenues as noted above.

Operating expenses

Total operating expenses increased by \$8,761,552 or 46.6% to \$27,561,253 for the year ended December 31, 2022 from \$18,799,701 for the year ended December 31, 2021. This fluctuation was primarily driven by an increase of \$8,449,752 in indirect costs during the year ended December 31, 2022, largely attributable to the increase in benefits expense related to the Company's growth in headcount year over year. In addition, this increase was also driven by increases in non-cash stock based compensation related to executive bonuses. This increase was offset by a decrease in general and administrative expenses of \$952,453, or 6.6%, which was primarily due to a decrease in acquisition fees from the prior year as well as less acquisition-based stock based compensation in 2022 paid to executives due to less acquisition activity in 2022. The increase of \$709,253 in overhead was primarily driven by an increase in overhead salaries related to our growth in headcount compared to 2021.

Other income (expense)

Other income (expense) increased by \$(1,646,582) or 66.5% to \$(4,124,506) for the year ended December 31, 2022 from \$(2,477,924) for the year ended December 31, 2021. This increase was primarily driven by the increase in the amount of debt outstanding during 2022 as well as rate increases during 2022 on its variable rate debt under its agreement with Live Oak Bank.

Income tax (expense) benefit

Income tax (expense) benefit increased by \$(3,476,239) or (130.9)% to \$(819,596) for the year ended December 31, 2022 from \$2,656,643 for the year ended December 31, 2021. This increase was primarily driven by due to the increase in Company establishing a full valuation allowance against its deferred tax expense as well as overall revenue growth from the prior year through inorganic contributions from SSI, Merrison and LSG.

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Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

	Year Ended December 31,		Amount of Increase (Decrease)		% Change
			2021	2020	
	\$	25,067,450	\$	13,338,667	\$ 11,728,783
Revenues					87.9 %
Cost of revenues		13,992,898		7,161,627	95.4 %
Gross profit		11,074,552		6,177,040	4,897,512
Operating expenses:					
Indirect costs		3,409,649		1,679,783	1,729,866
Overhead		850,999		276,855	574,144
General and administrative expenses		14,539,053		5,688,551	8,850,502
Loss from change in fair value of contingent earnout		—		—	100.0 %
Total operating expenses		18,799,701		7,645,189	11,154,512
Loss from operations		(7,725,149)		(1,468,149)	(6,257,000)
Other income (expense)		(2,477,924)		(2,295,906)	(182,018)
Loss before income taxes and preferred stock dividends		(10,203,073)		(3,764,055)	(6,439,018)
Income tax benefit (expense)		2,656,643		1,056,562	1,600,081
Net loss		(7,546,430)		(2,707,493)	(4,838,937)
Preferred stock dividend		12,290		—	12,290
Net loss to common shareholders	\$	(7,558,720)	\$	(2,707,493)	\$ (4,851,227)
					179.2 %

Revenues assets.

Revenues were \$25,067,450 for 2021 as compared to \$13,338,667 for 2020. This \$11,728,783 increase was primarily driven by the contribution from acquisitions completed in Q3 and Q4 2021. Incremental contributions from those acquisitions were \$10,938,015, which was complemented by a \$790,7668 increase in organic sales, which were \$14,129,435 in 2021.

Cost of revenues

Cost of revenues was \$13,992,898 for 2021 as compared to \$7,161,627 for 2020. This \$6,831,271 increase was primarily driven by the revenue increases contributed by the acquisitions noted above, accounting for \$6,250,769 of the total increase. As a percentage of revenue, cost of revenue was 55.8% for 2021 (54.8% for organic and 57.1% for acquisition activity), an increase of 2.1% from 53.7% for 2020, which was driven primarily by a higher-cost contract mix resident at Merrison and SSI.

Gross Profit

Gross profit was \$11,074,552 for 2021 as compared to \$6,177,040 for 2020. This \$4,897,512 increase was primarily driven by acquisitions, contributing \$4,687,246 in total, which was complemented by a \$210,266 increase in organic gross profit, for a total of \$6,387,306. Gross profit margin was 44.2% for 2021 (45.2% for organic and 42.9% for acquisition activity), a decrease of 2.1% from 46.3% for 2020, which was driven primarily by the higher cost contract mix present at Merrison and SSI.

Operating expenses

Indirect costs were \$3,409,649 for 2021 as compared to \$1,679,783 for 2020. This \$1,729,866 increase resulted from a \$2,068,091 increase from acquisition activity, which was slightly offset by a \$338,225 decrease in organic activity, which

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totaled \$1,341,558 for 2021. This decrease in indirect costs for legacy is primarily due to a \$537,998 decrease in costs related to policy changes to vacation, holiday, and sick leave, offset by an increase of \$199,773 in other fringe benefits costs consisting primarily of health insurance costs driven by an increase in headcount.

Overhead was \$850,999 for 2021 as compared to \$276,855 for 2020. This \$574,144 increase was primarily due to an increase of \$420,324 resulting from activity related to acquisitions, with legacy activities contributing a \$127,113 thousand increase in recruiting expenses related to scope of work changes related to existing contracts.

General and administrative expenses were \$14,539,054 for 2021 as compared to \$5,688,551 for 2020. \$2,324,663 of this increase was due to activity related to acquisitions, while \$4,448,632 related to executive compensation increases (with newly hired executives' base pay and other executive bonuses), and \$1,886,167 related to stock-based compensation (arising primarily from time-based vesting for newly hired executives and for performance-based compensation for other executives).

Other income (expense)

Realized gain on investment was \$38,851 for 2021 as compared to \$0 for 2020. This \$38,851 increase was due to a gain from an investment in a private company sold by MFSI in 2021.

Interest expense, net of interest income was \$2,516,775 for 2021 as compared to \$2,295,906 for 2020. This \$220,869 increase relates to \$106,149 of interest expense relating to an acquisition, the majority of which related to interest on the Live Oak Term Banking Company note secured to acquire SSI. \$112,025 of the increase related to amortization of discounts for legacy debt.

Income tax (expense) benefit

Benefit from income taxes was \$2,656,643 for 2021 as compared to \$1,056,562 for 2020. This \$1,600,081 increase was the result of the overall increase in operating expenses relative to revenues, (the largest driver being certain general and administrative expenses ("G&A") expense referenced above), with an immaterial impact from changes in the effective tax rate.

Contract Backlog

We define backlog to include the following three components:

- *Funded Backlog.* Funded backlog represents the revenue value of orders for services under existing contracts for which funding is appropriated or otherwise authorized less revenue previously recognized on these contracts.
- *Unfunded Backlog.* Unfunded backlog represents the revenue value of orders (including optional orders) for services under existing contracts for which funding has not been appropriated or otherwise authorized.
- *Priced Options.* Priced contract options represent 100% of the potential revenue value of all scheduled and unscheduled future contract option periods or orders under existing contracts that may be exercised at our clients' option and for which funding has not been appropriated or otherwise authorized.

Our backlog does not include contracts that have been awarded but are currently under protest and also does not include any task orders under IDIQ contracts, except to the extent that task orders have been awarded to us under those contracts.

The following table summarizes the value of our contract backlog as of December 31, 2022 December 31, 2023:

Backlog

Funded	\$ 15,015,214	17,423,419
Unfunded	\$ 8,903,289	15,558,445
Priced Options	\$ 57,426,973	75,032,776
Total Backlog	\$ 81,345,476	108,014,640

Our total backlog consists of remaining performance obligations, certain orders under contracts for which the original period of performance has expired, and unexercised option periods and other unexercised or unscheduled optional orders. As of December 31, 2022, the Company had \$81,345,476 of remaining performance obligations. funded, unfunded and scheduled priced options. We expect to recognize

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approximately 52% 34% of the remaining performance obligations over the next 12 months, and approximately 75% 57% over the next 24 months. Including priced options that have been awarded but not yet scheduled of \$46,431,225, our grand total backlog is \$154,445,865. The remainder is expected to be recognized thereafter. As with all government contracts there is no guarantee the customer will have future funding or exercise their contract option in the out-years. Other budget risks are discussed in the Budget Environment. Our backlog includes orders under contracts that in some cases extend for several years. Congress generally appropriates funds for our clients on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, contracts typically are only partially funded at any point during their term and all or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

Liquidity and Capital Resources

Sources

We have historically sourced our liquidity requirements with cash flows from operations, borrowings under our current credit facilities, and in October 2022, with an equity issuance through the listing of our common stock on the NYSE American LLC. As of December 31, 2022 December 31, 2023, we had \$4,640,896 \$1,830,841 of cash and cash equivalents on hand and unused borrowing capacity of \$649,975 \$324,975 from our revolving line of credit. In January and February of 2024, we undertook the following significant equity and debt transactions that enhance our liquidity and sources of funds:

- In January 2024, after filing a universal shelf registration statement on Form S-3 with the SEC in December of 2023 allowing us to issue additional equity ("Security Offering"), we raised net proceeds of approximately \$2,200,000.
- In February 2024, we used the proceeds from the Security Offering to pay the outstanding principal and accrued interest owed on a Note Payable to Crom in the amount of \$847,000.
- In February 2024, we agreed with Emil Kaunitz to extend the maturity date of a \$400,000 note payable from December 31, 2024, to August 1, 2025, after which we will make monthly principal payments of \$50,000 per month for eight months.
- In February 2024, we entered into a new \$4,000,000 revolving credit facility with Live Oak Banking Company which matures on February 22, 2025 (the "New Live Oak Revolver"). The New Live Oak Revolver replaces the \$950,000 revolving credit facility noted above ("Old Live Oak Revolver"), and we rolled over the \$625,025 outstanding principal balance outstanding on the Old Live Oak Revolver. We also made payments of \$1,209,617

to the holders of two notes payable noted below. We have unused borrowing capacity of approximately \$2,165,383 under the New Live Oak Revolver.

- In February 2024, we agreed with Robert Eisiminger to extend the maturity dates of two notes payable totaling \$6,000,000 from September 30, 2024, to August 31, 2026. We also accessed the New Live Oak Revolver to pay off a third note totaling \$400,000.
- In February 2024, we agreed with the Buckhout Charitable Remainder Trust to pay down and amend a convertible promissory note payable totaling \$3,209,617. We accessed the New Live Oak Revolver to pay down principal of \$809,617. We simultaneously agreed to enter into a new note payable in the principal amount of \$2,400,000 which matures on August 31, 2026, and may not be converted into common stock. Commencing in September 2024, we will monthly principal payments of \$100,000 for 24 months.

For more information related to these transactions, refer to [Note 16](#) under Part II, Item 8, of this Annual Report on Form 10-K.

We believe our existing cash and cash equivalents provided by our ongoing operations, together with funds available ~~under our credit facilities~~ through the transactions noted above, will be sufficient to meet our working capital, capital expenditures, and cash needs for the next 12 months and beyond.

Uses

Our material cash requirements from known contractual and other obligations primarily relate to payments on our credit facilities. For information related to these cash requirements, refer to [Note 6](#), [Note 7](#), [Note 8](#), [Note 9](#), and [Note 9](#) [16](#) under Part II, Item 8, of this Annual Report on Form 10-K.

Information about our cash flows is presented in our statements of cash flows and is summarized in the following table:

	Twelve Months Ended December 31,		
	2022	2021	2020
Net cash provided by (used in):			
	Twelve Months Ended December 31,		Twelve Months Ended December 31,
	2023	2022	2021
Net cash (used in) provided by:			
Operating activities			
Operating activities			
Operating activities	Operating activities	\$ 990,163	\$ (1,350,136)
Operating activities			\$ 1,006,091
Investing activities	Investing activities	(339,282)	808,834
Financing activities	Financing activities	\$ 1,972,100	\$ 146,835
			\$ 109,000

Comparison of the Years Ended [December 31, 2022](#) [December 31, 2023](#) and [2021](#)

Operating activities

Net cash We used \$(2,264,447) in operating activities for the year ended December 31, 2023, compared to \$990,163 provided by operating activities increased to \$990,163, for the year ended December 31, 2022, from \$(1,350,136) for the year ended December 31, 2021. This increase decrease in net cash provided by from operating activities was primarily driven by an increase in revenues, decreases net loss, increases in accounts receivables (due to timing of collections), as well as noncash adjustments related to stock based compensation, depreciation changes in the fair value of derivative liabilities and amortization, and a change in accounts receivable contingent earnout during the year ended [December 31, 2022](#) [December 31, 2023](#).

Investing activities

Net cash provided by (used in) used in investing activities decreased increased to \$(440,985), for the year ended December 31, 2023, from \$(339,282), for the year ended December 31, 2022, from \$808,834, for the year ended December 31, 2021. The decrease increase in net cash provided by (used in) used in investing activities was primarily due to the cash paid in the acquisition of LSG GTMR during 2022 and the cash received from the acquisitions of MFSI, Merrison, and SSI as well as the sale of an investment in a private company held by MFSI in 2021. 2023.

Financing activities

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Net cash provided by financing activities increased to \$1,972,100, for During the year ended December 31, 2022 December 31, 2023, from \$146,835, for the year ended December 31, 2021. The increase we used \$(104,623) in net cash provided (used) by financing activities, was primarily due to the proceeds from uplisting to the NYSE American, proceeds from notes payable obtained in 2022, and issuance of preferred and common stock. This increase was partially offset by repayments of notes payable and a repayment of amounts to due to seller.

Comparison of the Years Ended December 31, 2021 and 2020

Operating activities

Net cash used in operations in 2021 increased to \$(1,350,136) compared to net cash flow provided by operations in 2020 of \$1,006,091, a difference of \$(2,356,227). This decrease in operating cash flows period over period is driven by an increase in net loss of \$(4,838,937), decreases in accounts receivables (primarily due to the timing of collections) and contract assets of \$(2,295,437), a \$(1,664,647) decrease in deferred tax provision (our deferred tax benefit increased), offset by \$5,982,475 increase in non-cash stock-based compensation expense.

Investing activities

Net cash provided by investing activities for 2021 was \$808,834 compared to net cash flow used in investing activities for 2020 of \$(5,450), a difference of \$814,284. This increase in investing cash flows primarily resulted from \$453,480 received in 2021 resulting from acquisitions of MFSI, Merrison, and SSI (net of amounts paid), as well as \$365,572 received from the sale of two investments in private companies held by MFSI.

Financing activities

Net cash flow provided by financing activities was \$146,835 in 2021 compared to net cash flow of \$109,000 provided by financing activities in 2020, a difference of \$37,835. This increase in financing cash flows was primarily a result of 2021 activities, including a \$525,000 increase reduction in proceeds from issuance of preferred and common stock, over 2020 related to acquisition funding and capital raised the reduction in proceeds from accredited investors, offset by decreases of \$(470,626) due to repayments of notes payable, related and an increase in payments on notes payable, compared to net cash provided by financing activities of \$1,972,100, for the acquisitions of SSI and Corvus. year ended December 31, 2022.

Critical Accounting Policies and Estimates

The following is not intended to be a comprehensive list of our accounting policies or estimates. Our significant accounting policies are more fully described in [Note 2 — Summary of Significant Accounting Policies](#) to our annual audited consolidated financial statements, included elsewhere in the document. In preparing our financial statements and accounting for the underlying transactions and balances, we apply our accounting policies and estimates as disclosed in the Notes. We consider the policies and estimates discussed below as critical to an understanding of our financial statements because their application places the most significant demands on our judgment, with financial reporting results dependent on estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Specific risks for these critical accounting estimates are described in the following paragraphs. Preparation of our financial statements requires us to make estimates and assumptions that affect the

reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Besides estimates that meet the "critical" accounting estimate criteria, we make many other accounting estimates in preparing our financial statements and related disclosures. All estimates, whether or not deemed critical, affect reported amounts of assets, liabilities, revenue, and expenses as well as disclosures of contingent assets and liabilities. Estimates are based on experience and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known, including for estimates that we do not deem "critical."

Revenue Recognition

The Company accounts for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. (Topic 606). Topic 606 requires entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The principles in the standard are applied in five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the

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performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

Our revenue recognition policies are consistent with this five-step framework. Understanding the complex terms of agreements and determining the appropriate time, amount, and method to recognize revenue for each transaction requires judgment. These significant judgments include: (1) determining what point in time or what measure of progress depicts the transfer of control to the customer; (2) estimating contract revenue and costs and assumptions for schedule and technical issues; (3) selecting the appropriate method to measure progress; and (4) estimating how and when contingencies, or other forms of variable consideration, will impact the timing and amount of recognition of revenue. The timing and revenue recognition in a period could vary if different judgments were made.

Goodwill and Intangible Assets

We account for goodwill and intangible assets in accordance with ASC 350, *Intangibles-Goodwill and Other* (ASC 350). ASC 350 requires that goodwill and other intangibles with indefinite lives be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

Our acquisitions require the application of purchase accounting, which results in tangible and identifiable intangible assets and liabilities of the acquired entity being recorded at fair value. The difference between the purchase price and the fair value of net assets acquired is recorded as goodwill. We are responsible for determining the valuation of assets and liabilities and for the allocation of purchase price to assets acquired and liabilities assumed.

Assumptions must be made in determining fair values, particularly where observable market values do not exist. Assumptions may include discount rates, growth rates, cost of capital, tax rates, and remaining useful lives. These assumptions can have a significant impact on the value of identifiable assets and accordingly can impact the value of goodwill recorded. Different assumptions could result in different values being attributed to assets and liabilities. Since these values impact the amount of annual depreciation and amortization expense, different assumptions could also impact our statement of operations and could impact the results of future asset impairment reviews. Due to the many variables inherent in the estimation of a business's fair value and the relative size of our goodwill, if different assumptions and estimates were used, it could have an adverse effect on our impairment analysis.

During the third quarter of 2023, due to decline in stock price, Management determined that a triggering event occurred representing an indicator of goodwill impairment, resulting in a non-cash charge of \$6,919,094.

Income Taxes and Uncertain Tax Positions

Income taxes and uncertain tax positions are accounted for in accordance with ASC 740, Income Taxes (ASC 740). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Differences between statutory tax rates and effective tax rates relate to permanent tax differences.

Management determines recognition and measurement of uncertain income tax positions using a “more-likely-than-not” approach. This approach to estimate the potential outcome of any uncertain tax issue is subject to its assessment of relevant risks, facts, and circumstances existing at that time. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax reporting purposes, net operating loss carryforwards, and other tax credits measured by applying currently enacted tax laws. When necessary, a valuation allowance is provided to reduce deferred tax assets to an amount that is more likely than not to be realized.

Share-Based Compensation

We account for share-based compensation in accordance with ASC 718 *Compensation – Stock Compensation*. We calculate compensation expense for all awards granted, but not yet vested, based on the grant-date fair values. The Company recognizes these compensation costs, on a pro rata basis over the requisite service period of each vesting tranche of each award for service-based grants, and as the criteria is achieved for performance-based grants.

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In determining the grant date fair value of share-based awards, we must estimate the expected volatility, forfeitures, and performance attributes. Since share-based compensation expense can be material to our financial condition, different assumptions and estimates could have a material adverse effect on our financial statements.

Principles of Consolidation

Refer to [Note 1](#) of the notes to our audited consolidated financial statements included in Part II, Item 8 within this Annual Report on Form 10-K for a discussion of principles of consolidation.

Recently Issued Accounting Standards

Refer to [Note 1](#) of the notes to our audited consolidated financial statements included in Part II, Item 8 within this Annual Report on Form 10-K for our assessment of recently issued and adopted accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. These risks include the following:

Interest Rate Risk

The Company maintains a revolving promissory note and a term loan note with Live Oak Bank, referred to as the “Live Oak Revolving Note” and the “Live Oak Term Loan Note”, respectively. The Live Oak Revolving Note is a variable rate instrument with a per annum interest rate equal to the prime rate as quoted in the Wall Street Journal (the “Prime Rate”), plus two percentage points (2.75% (2.00%). Additionally, the Live Oak Term Loan

Note has a per annum interest rate equal to the Prime Rate, plus three percentage points (3%). Rising interest rates are likely to would increase our interest expense in the future. Such additional cost would need to be funded out of existing cash or additional financing. Future increase in interest rates are not expected to materially impact our Company's liquidity. The Company has no other debt obligations tied to the Prime Rate, Secured Overnight Financing Rate ("SOFR"), or London Interbank Offered Rate ("LIBOR").

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Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Castellum, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Castellum, Inc. and its subsidiaries (the Company) as of [December 31, 2022](#), [December 31, 2023](#) and [2021](#), [2022](#), the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the three years in the period ended [December 31, 2022](#), [December 31, 2023](#), and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of [December 31, 2022](#), [December 31, 2023](#) and [2021](#), [2022](#), and the results of its operations and its cash flows for each of the three years in the period ended [December 31, 2022](#), [December 31, 2023](#), in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 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 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 financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We have served as the Company's auditor since 2020.

McLean, Virginia
March 17, 2023 21, 2024

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Castellum, Inc. and Subsidiaries
Consolidated Balance Sheets

		For the Year Ended			
		December 31,			
		2022	2021		
		For the Year Ended		For the Year Ended December 31,	
		December 31,		2022	
Assets	Assets			2023	2023
Current assets:	Current assets:				
Current assets:	Current assets:				
Cash	Cash				
Cash	Cash				
Cash	Cash	\$ 4,640,896	\$ 2,017,915		
Accounts receivable	Accounts receivable	5,193,562	5,414,401		
Contract asset	Contract asset	257,434	591,055		
Contract assets	Contract assets				
Prepaid income taxes	Prepaid income taxes	351,116	—		

Prepaid expenses and other current assets	Prepaid expenses and other current assets	222,995	185,824
Total current assets	Total current assets	10,666,003	8,209,195
Fixed assets, net	Fixed assets, net	173,350	145,792
Fixed assets, net	Fixed assets, net		
Noncurrent assets:	Noncurrent assets:		
Deferred tax asset	—	610,033	
Noncurrent assets:			
Noncurrent assets:			
Right of use asset – operating lease			
Right of use asset – operating lease			
Right of use asset – operating lease	Right of use asset – operating lease	35,524	132,690
Intangible assets, net	Intangible assets, net	6,634,167	7,595,599
Goodwill	Goodwill	15,533,964	14,062,964
Total noncurrent assets	Total noncurrent assets	22,377,005	22,547,078
Total assets	Total assets	\$33,043,008	\$30,756,273
Liabilities and Stockholders' Equity	Liabilities and Stockholders' Equity		
Liabilities and Stockholders' Equity	Liabilities and Stockholders' Equity		
Current liabilities:	Current liabilities:		
Current liabilities:	Current liabilities:		
Current liabilities:	Current liabilities:		

Accounts payable and accrued expenses	Accounts payable and accrued expenses	\$ 1,617,596	\$ 1,437,827
Accounts payable and accrued expenses			
Accounts payable and accrued expenses			
Accrued payroll and payroll related expenses	Accrued payroll and payroll related expenses	1,869,517	1,511,622
Current portion of lease liability – operating lease			
Due to seller	Due to seller	280,000	200,000
Obligation to issue common and preferred stock	Obligation to issue common and preferred stock	—	25,000
Contingent consideration	Contingent earnout	—	275,000
Contingent earnout	Contingent earnout	812,000	257,000
Derivative liability	Derivative liability	824,000	—
Revolving credit facility	Revolving credit facility	300,025	—
Current portion of convertible promissory notes – related parties, net of discount			
Current portion of notes payable, net of discount	Current portion of notes payable, net of discount	2,033,348	1,279,390
Current portion of lease liability – operating lease		22,054	111,999

Total	Total		
current	current		
liabilities	liabilities	7,758,540	5,097,838
Noncurrent	Noncurrent		
liabilities:	liabilities:		
Noncurrent liabilities:			
Noncurrent liabilities:			
Deferred tax liability			
Deferred tax liability			
Deferred tax liability			
Lease	Lease		
liability –	liability –		
operating	operating		
lease, net of	lease, net of		
current	current		
portion	portion	12,632	18,715
Contingent			
earnout, net			
of current			
portion			
Convertible			
promissory			
notes –			
related			
parties, net			
of current			
portion			
Notes			
payable, net			
of current			
portion			
Note	Note		
payable –	payable –		
related party,	related party,		
net of	net of		
current	current		
portion	portion	400,000	400,000
Convertible promissory			
notes – related parties, net			
of discount, net of current			
portion		999,430	2,805,184
Notes payable, net of			
discount, net of current			
portion		6,340,490	7,112,419
Total	Total		
noncurrent	noncurrent		
liabilities	liabilities	7,752,552	10,336,318

Total liabilities	Total liabilities	15,511,092	15,434,156
Total liabilities			
Total liabilities			
Stockholders' Equity	Stockholders' Equity		
Stockholders' Equity			
Stockholders' Equity			
Preferred stock, 50,000,000 shares authorized	Preferred stock, 50,000,000 shares authorized		
Series A Preferred stock, par value \$0.0001; 10,000,000 shares authorized; 5,875,000 issued and outstanding as of December 31, 2022 and 2021			
2021	588	588	
Preferred stock, 50,000,000 shares authorized			
Preferred stock, 50,000,000 shares authorized			

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Series B Preferred stock, par value \$0.0001; 10,000,000 shares authorized; 0 and 3,610,000 issued and outstanding as of December 31, 2022 and 2021, respectively	—	361
Series C Preferred stock, par value \$0.0001; 10,000,000 shares authorized; 770,000 and 620,000 issued and outstanding as of December 31, 2022 and 2021, respectively	77	62
Common stock, par value \$0.0001; 3,000,000,000 shares authorized, 41,699,363 and 19,960,632 shares issued and outstanding as of December 31, 2022 and 2021, respectively	4,170	1,996
Series A Preferred stock, par value \$0.0001; 10,000,000 shares authorized; 5,875,000 issued and outstanding as of December 31, 2023 and 2022		

Series C Preferred stock, par value \$0.0001; 10,000,000 shares authorized; 770,000 and 770,000 issued and outstanding as of December 31, 2023 and 2022, respectively

Common stock, par value \$0.0001; 3,000,000,000 shares authorized, 47,672,427 and 41,699,363 shares issued and outstanding as of December 31, 2023 and 2022, respectively

Additional paid in capital	Additional paid in capital	43,621,651	26,405,126
Accumulated deficit	Accumulated deficit	(26,094,570)	(11,086,016)
Total stockholders' equity	Total stockholders' equity	17,531,916	15,322,117
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 33,043,008	\$ 30,756,273

See accompanying notes to consolidated financial statements.

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Castellum, Inc. and Subsidiaries
Consolidated Statements of Operations

For the Year Ended December 31,			For the Year Ended December 31,		
2023			2023	2022	2021
			2022	2021	2020
Revenues					
Revenues					
Revenues	Revenues	\$ 42,190,643	\$ 25,067,450	\$ 13,338,667	
Cost of revenues	Cost of revenues	24,593,326	13,992,898	7,161,627	
Cost of revenues					
Cost of revenues					
Gross profit					
Gross profit	Gross profit	17,597,317	11,074,552	6,177,040	

Operating expenses:	Operating expenses:			
Operating expenses:				
Operating expenses:				
Indirect costs				
Indirect costs	Indirect costs	11,859,401	3,409,649	1,679,783
Overhead	Overhead	1,560,252	850,999	276,855
General and administrative	General and administrative	13,586,600	14,539,053	5,688,551
Loss from change in fair value of contingent earnout		555,000	—	—
Goodwill impairment loss				
(Gain) loss from change in fair value of contingent earnout				
Total operating expenses	Total operating expenses	27,561,253	18,799,701	7,645,189
Loss from operations before other other income (expense)	(9,963,936)	(7,725,149)	(1,468,149)	
Loss from operations before other other income (expense)				
Other income (expense):	Other income (expense):			
Realized gain on investment		—	38,851	—
Gain on disposal of fixed assets		303	—	—
Change in fair value of derivative liability		(132,000)	—	—
Other income (expense):				
Other income (expense):				
Loss on induced conversion				
Loss on induced conversion				
Loss on induced conversion				

Gain (loss) from change in fair value of derivative liability				
Other income, net				
Interest expense, net of interest income	Interest expense, net of interest income	(3,992,809)	(2,516,775)	(2,295,906)
Total other income (expense)		(4,124,506)	(2,477,924)	(2,295,906)
Total other (expense)				
Loss from operations before (expense) benefit for income taxes	Loss from operations before (expense) benefit for income taxes	(14,088,442)	(10,203,073)	(3,764,055)
Income tax (expense) benefit		(819,596)	2,656,643	1,056,562
Income tax benefit (expense)				
Net loss	Net loss	(14,908,038)	(7,546,430)	(2,707,493)
Less: preferred stock dividends	Less: preferred stock dividends	100,516	12,290	—
Net loss to common shareholders	Net loss to common shareholders	\$(15,008,554)	\$(7,558,720)	\$(2,707,493)
Net loss per share	Net loss per share			
Net loss per share				
Net loss per share				
Basic and diluted				
Basic and diluted				
Basic and diluted	Basic and diluted	\$ (0.55)	\$ (0.41)	\$ (0.17)
Shares used in calculation of net loss per share	Shares used in calculation of net loss per share			
Shares used in calculation of net loss per share				
Shares used in calculation of net loss per share				
Basic and diluted	Basic and diluted	27,468,226	18,259,283	16,249,247
Basic and diluted				
Basic and diluted		47,177,950	27,468,226	18,259,283

Castellum, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

For the Year Ended December 31,			
2022		2021	2020
For the Year Ended December 31,			
	2023	2023	2022
Cash flows from operating activities:			
Cash flows from operating activities:			
Cash flows from operating activities:			
Net loss	Net loss	\$(14,908,038)	\$(7,546,430)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Net loss			
Net loss			
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	Depreciation and amortization	2,032,459	1,886,228
Amortization of discount and premium		2,553,317	1,806,848
Depreciation and amortization			
Depreciation and amortization			
Amortization of discounts, premiums and deferred cost			
Stock-based compensation	Stock-based compensation	8,796,641	6,919,524
Deferred tax provision	Deferred tax provision	610,033	(2,895,571)
			937,049
			(1,230,924)

Gain on sale of fixed assets	Gain on sale of fixed assets	(303)	—	—
Financing fees and bank charges		3,775	—	—
Financing fee and bank charges for note payable and advances on revolving credit line				
Realized gain on investment	Realized gain on investment	—	(38,851)	—
Goodwill impairment loss				
Lease cost	Lease cost	1,139	754	—
Legal fees paid out of proceeds from note payable	Legal fees paid out of proceeds from note payable	30,000	—	—
Change in fair value of contingent earnout	Change in fair value of contingent earnout	555,000	—	—
Change in fair value of derivative liability		132,000	—	—
Change in fair value of derivative liabilities				
Gain from timing difference on issuance of shares				
Changes in assets and liabilities	Changes in assets and liabilities			
Accounts receivable	Accounts receivable	634,448	(1,217,326)	260,465
Accounts receivable				
Accounts receivable				
Proceeds from factoring accounts receivable				

Prepaid expenses and other current assets	Prepaid expenses and other current assets	(321,593)	8,119	(33,280)
Contract asset (liability)	Contract asset (liability)	333,621	(817,646)	—
Payment of transaction costs in acquisition of SSI		—	(50,500)	—
Payment of transaction costs in acquisition of business				
Lease liability				
Accounts payable and accrued expenses	Accounts payable and accrued expenses	537,664	594,715	254,771
Net cash provided by (used in) operating activities		990,163	(1,350,136)	1,006,091
Net cash (used in) provided by operating activities				
Cash flows from investing activities:	Cash flows from investing activities:			
Cash paid in acquisition of LSG	(250,000)	—	—	—
Cash received in acquisition of MFSI	—	93,240	—	—
Cash received in acquisition of Merrison, net of amounts paid	—	161,305	—	—
Cash received in acquisition off SSI, net of amounts paid	—	198,935	—	—
Cash flows from investing activities:				
Cash flows from investing activities:				
Acquisition of business, cash paid to seller				
Acquisition of business, cash paid to seller				
Acquisition of business, cash paid to seller				

Cash paid to seller from factoring				
Acquisition of business, cash received from seller				
Sale of investment	Sale of investment	—	365,572	—
Purchases of intangible assets		—	—	(2,863)
Purchases of fixed assets	Purchases of fixed assets	(89,282)	(10,218)	(2,587)
Net cash (used in) provided by investing activities	Net cash (used in) provided by investing activities			
		(339,282)	808,834	(5,450)
Cash flows from financing activities:	Cash flows from financing activities:			
Cash flows from financing activities:				
Proceeds from revolving credit line	Proceeds from revolving credit line	300,000	—	—
Proceeds from issuance of common stock		—	—	120,000
Proceeds from revolving credit line				
Proceeds from revolving credit line				
Payment of debt issuance costs				
Proceeds from issuance of preferred and common stock	Proceeds from issuance of preferred and common stock	625,000	645,000	—
Proceeds from note payable	Proceeds from note payable	1,470,000	—	—
Proceeds from exercise of stock options	Proceeds from exercise of stock options	12,000	8,000	—

Proceeds from stock offering related to uplisting	Proceeds from stock offering related to uplisting	2,000,756	—	—
Preferred stock dividend	Preferred stock dividend	(100,516)	(12,290)	—
Repayment of convertible note payable – related party	Repayment of convertible note payable – related party	(500,000)	(70,000)	—
Repayment of line of credit, net	Repayment of line of credit, net	—	(12,249)	—
Loss on induced conversion				
Repayment of amounts due to seller	Repayment of amounts due to seller	(471,003)	—	—
Repayment of notes payable	Repayment of notes payable	(1,364,137)	(411,626)	(11,000)
Net cash provided by financing activities		1,972,100	146,835	109,000
Net cash (used in) provided by financing activities				
Net (decrease) increase in cash	Net (decrease) increase in cash	2,622,981	(394,467)	1,109,641
Cash - beginning of period	Cash - beginning of period	2,017,915	2,412,382	1,302,741
Cash - end of period		\$ 4,640,896	\$ 2,017,915	\$ 2,412,382
Supplemental disclosures:				

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Cash - end of period

Supplemental disclosures:

Supplemental disclosures:

Supplemental disclosures:

Cash paid for interest

Cash paid for interest							
Cash paid for interest	Cash paid for interest	\$ 912,965	\$ 688,930	\$ 599,154			
Cash paid for income taxes	Cash paid for income taxes	\$ 467,910	\$ 168,100	\$ 363,300			
Summary of noncash activities:	Summary of noncash activities:						
Adjustment to contingent consideration and customer relationships							\$ —
Gain on extinguishment of convertible note payable - related party							\$ —
Debt discount recognized for obligation to issue common stock							\$ —
Summary of noncash activities:							
Summary of noncash activities:							
Extinguishment of debt discount - derivative liabilities							
Extinguishment of debt discount - derivative liabilities							
Extinguishment of debt discount - derivative liabilities							
Extinguishment of debt discount - debt issuance costs							
Debt discount on note payable							
Partial conversion of note payable	Partial conversion of note payable	\$ 160,000					
Common shares issued for obligation to issue shares	Common shares issued for obligation to issue shares	\$ 533,750					
Derivative liability recognized as discount of note payable		\$ 692,000					
Derivative liabilities incurred for note payable							
Extinguishment of derivative liability							
Acquisition of business, common stock issued to seller							
Gain on extinguishment of convertible note payable - related party							

Adjustment to contingent consideration and customer relationships	Fair value adjustment recognized on issuance of common stock in Securities Purchase Agreement	93,000	—	—
Fair value adjustment recognized on issuance of common stock in Securities	Deferred issuance costs recognized for note payable	59,300	—	—
Conversion of Series B preferred shares to common stock	Conversion of Series B preferred shares to common stock	1,805	—	—
Conversion of purchase consideration payable to convertible note	—	—	—	579,617
Beneficial Conversion Feature ("BCF") discount on convertible note, net of tax	—	—	—	430,423
Conversion of convertible notes – related parties and accrued interest to common stock	—	—	—	63,800
Cancellation of shares offsetting acquisition of MFSI	\$	—	\$ 400,000	\$ —
Cancellation of shares offsetting acquisition of business				

See accompanying notes to consolidated financial statements.

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Castellum, Inc. and Subsidiaries Consolidated Statement of Changes in Stockholders' Equity (Deficit)												
	Series A Preferred		Series B Preferred		Series C Preferred		Common		Additional Paid-In Capital		Additional Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	—	
Balances at December 31,												
2020	5,875,000	\$ 588	3,610,000	\$ 361	—	\$ —	15,411,264	\$ 1,541	\$ 6,133,332	\$ (3,527,296)	\$ 2,608,526	
Stock-based compensation – options	—	—	—	—	—	—	—	—	3,113,261	—	3,113,261	

Stock-based compensation - warrants	—	—	—	—	—	—	—	—	3,806,263	—	3,806,263
Shares issued in acquisition of MFSI	—	—	—	—	—	—	1,114,023	111	1,782,326	—	1,782,437
Cancellation of shares in acquisition of MFSI	—	—	—	—	—	—	(250,000)	(25)	(399,975)	—	(400,000)
Shares issued in acquisition of Merrison	—	—	—	—	—	—	500,000	50	1,594,950	—	1,595,000
Shares issued in acquisition of SSI, net of transaction costs	—	—	—	—	—	—	2,632,095	263	7,822,087	—	7,822,350
Shares issued in asset acquisition of The Albers group, LLC	—	—	—	—	—	—	481,250	49	1,924,951	—	1,925,000
Shares issued in exercise of stock options	—	—	—	—	—	—	10,000	1	7,999	—	8,000
Shares issued for cash in Series C Preferred Subscription Agreements	—	—	—	—	620,000	62	62,000	6	619,932	—	620,000
Net loss for the year	—	—	—	—	—	—	—	—	(7,558,720)	(7,558,720)	
Balances at December 31, 2021	5,875,000	\$ 588	3,610,000	\$ 361	620,000	\$ 62	19,960,632	\$ 1,996	\$ 26,405,126	\$ (11,086,016)	\$ 15,322,117
Stock-based compensation - options	—	—	—	—	—	—	0	—	4,985,233	—	4,985,233
Stock-based compensation - warrants	—	—	—	—	—	—	0	—	3,496,912	—	3,496,912
Stock-based compensation - shares issued for services and Restricted stock	—	—	—	—	—	—	75,000	8	379,491	—	379,499
Shares issued for uplisting, net of offering costs of approximately \$700,000	—	—	—	—	—	—	1,351,231	135	2,000,621	—	2,000,756
Shares issued for exercise of stock options	—	—	—	—	—	—	15,000	2	11,998	—	12,000
Shares issued for cash including fair value adjustment	—	—	—	—	—	—	1,250,000	125	499,875	—	500,000
Subscription agreement	—	—	—	—	150,000	15	15,000	2	149,983	—	150,000
Debt discount recognized for obligation to issue common stock	—	—	—	—	—	—	0	—	(100,000)	—	(100,000)
Partial conversion of note payable	—	—	—	—	—	—	100,000	10	159,990	—	160,000
Shares issued to satisfy obligation to issue shares	—	—	—	—	—	—	132,500	13	533,737	—	533,750

Fair value adjustment on common stock for Crom	—	—	—	—	—	—	0	—	93,000	—	93,000
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	Series C						Additional				
	Series A Preferred		Series B Preferred		Preferred		Common		Paid-In	Accumulated	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Total
Balances at December 31,											
2019	5,875,000	\$ 588	3,610,000	\$ 361	—	\$ —	14,744,533	\$ 1,474	\$ 4,582,127	\$ (819,803)	\$ 3,764,747
Shares issued for cash	—	—	—	—	—	—	116,731	12	119,988	—	120,000
Shares issued in conversion of notes payable and accrued interest	—	—	—	—	—	—	550,000	55	63,745	—	63,800
Stock-based compensation - options	—	—	—	—	—	—	—	—	937,049	—	937,049
BCF discount, net of tax	—	—	—	—	—	—	—	—	430,423	—	430,423
Net loss for the year	—	—	—	—	—	—	—	—	—	(2,707,493)	(2,707,493)
Balances at December 31,											
2020	5,875,000	\$ 588	3,610,000	\$ 361	—	\$ —	15,411,264	\$ 1,541	\$ 6,133,332	\$ (3,527,296)	\$ 2,608,526
Stock-based compensation - options	—	—	—	—	—	—	—	—	3,113,261	—	3,113,261
Stock-based compensation - warrants	—	—	—	—	—	—	—	—	3,806,263	—	3,806,263
Shares issued in acquisition of MFSI	—	—	—	—	—	—	1,114,023	111	1,782,326	—	1,782,437
Cancellation of shares in acquisition of MFSI	—	—	—	—	—	—	(250,000)	(25)	(399,975)	—	(400,000)
Shares issued in acquisition of Merrison	—	—	—	—	—	—	500,000	50	1,594,950	—	1,595,000
Shares issued in acquisition of SSI, net of transaction costs	—	—	—	—	—	—	2,632,095	263	7,822,087	—	7,822,350
Shares issued in asset acquisition of The Albers group, LLC	—	—	—	—	—	—	481,250	49	1,924,951	—	1,925,000
Shares issued in exercise of stock options	—	—	—	—	—	—	10,000	1	7,999	—	8,000
Shares issued for cash in Series C Preferred Subscription Agreements	—	—	—	—	620,000	\$ 62	62,000	6	619,932	—	620,000
Net loss for the year	—	—	—	—	—	—	—	—	—	(7,558,720)	(7,558,720)
Balances at December 31,											
2021	5,875,000	\$ 588	3,610,000	\$ 361	620,000	\$ 62	19,960,632	\$ 1,996	\$ 26,405,126	\$ (11,086,016)	\$ 15,322,117

Stock-based compensation -												
options	—	—	—	—	—	—	—	—	—	4,985,233	—	4,985,233
Stock-based compensation -												
warrants	—	—	—	—	—	—	—	—	—	3,496,912	—	3,496,912
Stock-based compensation -												
shares issued for services												
and Restricted stock	—	—	—	—	—	—	—	75,000	8	379,491	—	379,499
Shares issued for uplisting, net of offering costs of approximately \$700,000	—	—	—	—	—	—	—	1,351,231	135	2,000,621	—	2,000,756

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Shares issued for exercise of												
stock options	—	—	—	—	—	—	—	15,000	2	11,998	—	12,000
Shares issued for cash												
including fair value												
adjustment	—	—	—	—	—	—	—	1,250,000	125	499,875	—	500,000
Subscription agreement	—	—	—	—	—	150,000	15	15,000	2	149,983	—	150,000
Shares issued in acquisition												
of LSG	—	—	—	—	—	—	—	625,000	62	2,279,938	—	2,280,000
Gain on extinguishment of												
related party note	—	—	—	—	—	—	—	0	—	2,667,903	—	2,667,903
Debt discount recognized for												
obligation to issue common												
stock	—	—	—	—	—	—	—	0	—	(100,000)	—	(100,000)
Partial conversion of note												
payable	—	—	—	—	—	—	—	100,000	10	159,990	—	160,000
Shares issued to satisfy												
obligation to issue shares	—	—	—	—	—	—	—	132,500	13	533,737	—	533,750
Fair value adjustment on												
common stock for Crom	—	—	—	—	—	—	—	0	—	93,000	—	93,000
Deferred issuance costs	—	—	—	—	—	—	—	125,000	12	59,288	—	59,300
Conversion of Series B												
preferred shares to												
common stock	—	—	(3,610,000)	(361)	—	—	—	18,050,000	1,805	(1,444)	—	—
Net loss for the year	—	—	—	—	—	—	—	—	—	(15,008,554)	(15,008,554)	
Balances at December 31,												
2022	5,875,000	\$ 588	—	\$ —	770,000	\$ 77	41,699,363	\$ 4,170	\$ 43,621,651	(\$26,094,570)	\$ 17,531,916	

Deferred issuance costs	—	—	—	—	—	—	—	125,000	12	59,288	—	59,300
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Conversion of Series B											
preferred shares to											
common stock	—	—	(3,610,000)	(361)	—	—	18,050,000	1,805	(1,444)	—	—
Net loss for the year	—	—	—	—	—	—	0	—	—	(15,008,554)	(15,008,554)
Balances at December 31,											
2022	<u>5,875,000</u>	<u>\$ 588</u>	<u>—</u>	<u>\$ 770,000</u>	<u>\$ 77</u>	<u>41,699,363</u>	<u>\$ 4,170</u>	<u>\$ 43,621,651</u>	<u>\$ (26,094,570)</u>	<u>\$ 17,531,916</u>	
Stock-based compensation -											
options	—	—	—	—	—	—	0	5,923,200	—	5,923,200	
Stock-based compensation -											
warrants	—	—	—	—	—	—	0	1,076,969	—	1,076,969	
Stock-based compensation -											
shares issued for services											
and Restricted stock	—	—	—	—	—	—	462,244	45	423,614	—	423,659
Shares issued in acquisition											
of GTMR	—	—	—	—	—	—	4,866,570	487	5,304,075	—	5,304,562
Extinguishment of Crom Note	—	—	—	—	—	—	556,250	56	589,944	—	590,000
Loss on induced conversion	—	—	—	—	—	—	0	—	300,000	—	300,000
Extinguishment of debt											
discount related to											
derivative liability	—	—	—	—	—	—	0	(171,128)	—	(171,128)	
Extinguishment of debt											
discount related to debt											
issuance	—	—	—	—	—	—	0	(8,034)	—	(8,034)	
Extinguishment of derivative											
liability	—	—	—	—	—	—	0	33,375	—	33,375	
Shares issued in private											
placement	—	—	—	—	—	—	63,000	6	125,994	—	126,000
Shares issued as commitment											
shares in Crom Transaction	—	—	—	—	—	—	25,000	3	10,997	—	11,000
Balance sheet reclassification											
adjustment (a)	—	—	—	—	—	—	0	(304,500)	30,000	(274,500)	
Net loss	—	—	—	—	—	—	0	—	(17,918,330)	(17,918,330)	
Balances at December 31,											
2023	<u>5,875,000</u>	<u>\$ 588</u>	<u>—</u>	<u>\$ 770,000</u>	<u>\$ 77</u>	<u>47,672,427</u>	<u>\$ 4,767</u>	<u>\$ 56,926,157</u>	<u>\$ (43,982,900)</u>	<u>\$ 12,948,689</u>	

On July 19, 2021, the Company filed a Certificate of Amendment with the State of Nevada to change the par value of all common and preferred stock to all be \$0.0001. All changes to the par value dollar amount for these classes of stock and adjustment to additional paid in capital have been made retroactively.

On October 13, 2022, the Company effected a 1-for-20 reverse split of our authorized and outstanding shares of common stock ("Reverse Stock Split"). As a result of the Reverse Stock Split, all authorized and outstanding common stock and per share amounts in this Annual Report on Form 10-K, including but not limited to, the consolidated financial statements and footnotes included herein, have been adjusted to reflect the Reverse Stock Split for all periods presented.

(a) In the second quarter of 2023, the Company made an immaterial balance sheet reclassification to reduce additional paid in capital by \$304,500 and to increase the obligation to issue common shares account and the accumulated deficit account by \$274,500 and \$30,000, respectively. These immaterial amounts are also reflected in the Company's Consolidated Balance Sheets, Consolidated Statements of Cash Flows, and the Consolidated Statement of Changes in Stockholders' Equity.

See accompanying notes to consolidated financial statements.

Castellum, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1: Nature of Operations

Castellum, Inc. (the "Company") is focused on **acquiring and growing** building a large, successful technology **companies** company in the areas of information technology, electronic warfare, information warfare and cybersecurity with businesses in the governmental and commercial markets. Services include intelligence analysis, software development, software engineering, program management, strategic planning, information assurance and cybersecurity and policy along with analysis support. These services, which largely focus on securing data and establishing related policies, are applicable to customers in the federal government, financial services, healthcare and other users of large data applications. The services can be delivered to legacy, customer owned networks or customers who rely upon cloud-based infrastructures. The Company has worked with multiple business brokers and contacts within their business network to identify potential acquisitions.

Bayberry Acquisition Corporation ("Bayberry") was a wholly owned subsidiary of the Company. Jay Wright and Mark Fuller controlled and managed Bayberry and were named officers and directors of the Company upon the acquisition of Bayberry. The transaction was accounted for as a reverse merger. As a result, Bayberry was considered the accounting acquirer. On February 23, 2021, Bayberry was dissolved with the Nevada Secretary of State as there was no activity, and Bayberry was non-operational post-merger with Castellum.

Corvus Consulting, LLC ("Corvus"), acquired in November 2019, is a wholly owned subsidiary of the Company. Corvus provides scientific, engineering, technical, operational support, and training services to federal government and commercial clients. Corvus focuses on Cyberspace Operations, Electronic Warfare, Information Operations, Intelligence and Joint/Electromagnetic Spectrum Operations. The specialties of Corvus range from high-level policy development and Congressional liaison to requirements analysis, DOTMLPF-p development assistance and design services for hardware and software systems fulfilling the mission needs of the Department of Defense and Intelligence Communities.

The Company entered into a definitive merger agreement with Mainnerve Federal Services, Inc. dba MFSI Government Group, a Delaware corporation ("MFSI"), effective as of January 1, 2021. This acquisition closed on February 11, 2021. MFSI, a government contractor, has built strong relationships with numerous customers, in the software engineering and IT arena. MFSI provides services in data security and operations for Army, Navy and Intelligence Community clients, and currently works as a software engineering/development, database administration and data analytics subcontractor.

The Company acquired Merrison Technologies, LLC, a Virginia limited liability company ("Merrison"), on August 5, 2021. Merrison, is a government contractor with expertise in software engineering and IT in the classified arena. **Effective December 1, 2023, all operations, contracts and employees were merged into the Corvus entity and Merrison was dissolved with the Virginia Secretary of State.**

Specialty Systems, Inc. ("SSI") was acquired August 12, 2021. SSI is a New Jersey based government contractor that provides critical mission support to the Navy at Joint Base McGuire-Dix-Lakehurst in the areas of software engineering, cyber security, systems engineering, program support and network engineering.

The Company acquired **the certain business assets that represented the Pax River** from The Albers Group, LLC **located in Pax River, Maryland** ("Pax River") which closed on November 16, 2021 in an asset purchase for up to 550,000 shares of common stock and cash of \$200,000 paid monthly over a 10-month period starting February 2022 upon the satisfaction of conditions in the acquisition agreement.

The Company acquired Lexington Solutions Group, LLC ("LSG"), on **April 5, 2022** **April 15, 2022**. LSG is a government contractor with a wide range of national security, strategic communication, and management consulting services.

The Company acquired Global Technologies Management Resources, Inc. ("GTMR") on March 23, 2023. GTMR is a government contractor based in Hollywood, Maryland near Naval Air Station Patuxent River.

On July 19, 2021, the Company filed a Certificate of Amendment with the State of Nevada to change the par value of all common and preferred stock to all be \$0.0001. All changes to the par value dollar amount for these classes of stock and adjustment to additional paid in capital have been made retroactively.

On October 13, 2022, the Company completed a \$3,000,000 public offering, a 1-for-20 Reverse Stock Split of its common shares, and an uplisting to the NYSE American exchange. All share and per share figures related to the common stock have been retroactively adjusted in accordance with SEC Staff Accounting Bulletin ("SAB") Topic 4C.

The unprecedented events related to COVID-19, the disease caused by the novel coronavirus (SARS-CoV-2), have had significant health, economic, and market impacts and may have short-term and long-term adverse effects on our business that we cannot predict as the global pandemic continues to evolve. The extent and effectiveness of responses by

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governments and other organizations also cannot be predicted. Our ability to access the capital markets and maintain existing operations has not been significantly affected during the COVID-19 pandemic. Going forward any possible adverse effects on the business are uncertain given any possible limitations on available financing and how we conduct business with our customers and vendors.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Castellum, Inc. and its subsidiaries, collectively referred to as "the Company". All significant intercompany accounts and transactions have been eliminated in consolidation. Castellum, Inc. is a holding company that holds owns 100% of Corvus, MFSI, Merrison SSI, (until dissolved as of December 1, 2023), and LSG SSI.

The Company applies the guidance of Topic 805 *Business Combinations* of the Financial Accounting Standards Board Accounting Standards Codification ("ASC").

The Company accounted for these acquisitions as business combinations and the difference between the consideration paid and the net assets acquired was first attributed to identified intangible assets and the remainder of the difference was applied to goodwill.

Reclassification

The Company has reclassified certain amounts in the 2020 2022 financial statements to comply with the 2021 and 2022 2023 presentation. These principally relate to classification of certain expenses and liabilities. "Gain on Disposal of Fixed Assets" to "Other" on our consolidated statements of operations. The reclassifications had no impact on total net loss or net cash flows for the years ended December 31, 2022 or 2021, December 31, 2023 and 2022.

Business Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company's CODM, the

Chief Executive Officer, reviews consolidated results of operations to make decisions. The Company maintains one operating and reportable segment, which is the delivery of products and services in the areas of information technology, electronic warfare, information warfare and cybersecurity in the governmental and commercial markets.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These estimates include, but are not limited to, management's estimate of provisions required for uncollectible accounts receivable, the acquired value of the intangible assets, impaired value of intangible assets, liabilities to accrue, cost incurred in the satisfaction of performance obligations, fair value for consideration elements of business combinations, permanent and temporary differences related to income taxes and determination of the fair value of stock awards. Actual results could differ from those estimates.

Cash

Cash consists of cash and demand deposits with an original maturity of three months or less. The Company holds no cash equivalents as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The Company maintains cash balances in excess of the FDIC insured limit at a single bank. The Company does not consider this risk to be material.

Fixed Assets and Long-Lived Assets, Including Intangible Assets and Goodwill

Fixed assets are stated at cost. Depreciation on fixed assets is computed using the straight-line method over the estimated useful lives of the assets, which range from three to fifteen 15 years for all classes of fixed assets.

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ASC 360 requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company has adopted Accounting Standard Update ("ASU") 2017-04 *Intangibles – Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment* effective April 1, 2017.

The Company reviews recoverability of long-lived assets on a periodic basis whenever events and changes in circumstances have occurred which may indicate a possible impairment. The assessment for potential impairment is based primarily on the Company's ability to recover the carrying value of its long-lived assets from expected future cash flows from its operations on an undiscounted basis. If such assets are determined to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets.

Intangible assets with finite useful lives are stated at cost less accumulated amortization and impairment. Intangible assets capitalized as of December 31, 2022 December 31, 2023 represent the valuation of the Company's customer relationships, trade names, backlog and non-compete agreements which were acquired in the acquisitions. These intangible assets are being amortized on either the straight-line basis over their estimated average useful lives (certain trademarks, tradenames, backlog and non-compete agreements) or are being amortized based on the present value of the future cash flows (customer relationships, certain tradenames, backlog, and non-compete agreements). Amortization expense of the intangible assets runs through December 2035 March 2038.

The Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers to be important which could trigger an impairment review include the following:

1. Significant underperformance relative to expected historical or projected future operating results;
2. Significant changes in the manner of use of the acquired assets or the strategy for the overall business; and
3. Significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an

impairment charge. The Company measures any impairment based on **undiscounted cash flows. Significant fair value. Significant** management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

When the Company acquires a controlling financial interest through a business combination, the Company uses the acquisition method of accounting to allocate the purchase consideration to the assets acquired and liabilities assumed, which are recorded at fair value. Any excess of purchase consideration over the net fair value of the net assets acquired is recognized as goodwill.

Prior to 2022, the Company performed its annual goodwill and intangible asset impairment test at the end of the fourth quarter. In 2022, the Company changed the date of its annual goodwill and intangible asset impairment assessment to the first day of the fourth quarter. The Company believes this change does not represent a material change in method of applying an accounting principle. This voluntary change is preferable under the circumstances as it results in better alignment with the timing of the Company's long-range planning and forecasting process and provides the Company with additional time to complete its annual goodwill impairment testing in advance of its year-end reporting. This change does not delay, accelerate, or avoid an impairment of goodwill.

In 2022, During the third quarter of 2023, due to decline in stock price, Management determined that a triggering event occurred representing an indicator of goodwill impairment and requiring goodwill impairment testing for each of its reporting units as of September 30, 2023. Management elected to bypass a qualitative assessment and performed a qualitative analysis as of its annual measurement date, which included a quantitative market capitalization reconciliation. During the fourth quarter of 2022, due to the Company being in a net loss position, Management performed additional qualitative analysis, assessment, including a market capitalization reconciliation, to evaluate the performance of its reporting units. The impairment assessment resulted in a non-cash goodwill impairment charge related to all three reporting units totaling \$6,919,094. Given the date of this assessment, Management concluded it satisfied the Company's annual assessment requirement. Additionally, during the fourth quarter of 2023, Management considered whether there were any additional triggering events that would represent indicators of impairment and determined there were no indicators of impairment noted during the years ended December 31, 2022 and 2021. none.

Subsequent Events

Subsequent events were evaluated through **March 15, 2023** **March 21, 2024**, the date the consolidated financial statements for the year ended December 31, 2023 were issued.

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Revenue Recognition

The Company accounts for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606").

The Company accounts for a contract with a customer that is within the scope of this Topic only when the five steps of revenue recognition under ASC 606 are met.

The five core principles will be evaluated for each service provided by the Company and is further supported by applicable guidance in ASC 606 to support the Company's recognition of revenue.

Revenue is derived primarily from services provided to the federal government. The Company enters into agreements with customers that create enforceable rights and obligations and for which it is probable that the Company will collect the consideration to which it will be entitled as services and solutions are transferred to the customer. The Company also evaluates whether two or more agreements should be accounted for as one single contract.

When determining the total transaction price, the Company identifies both fixed and variable consideration elements within the contract. The Company estimates variable consideration as the most likely amount to which the Company expects to be entitled limited to the extent that it is probable that a significant reversal will not occur in a subsequent period.

At contract inception, the Company determines whether the goods or services to be provided are to be accounted for as a single performance obligation or as multiple performance obligations. For most contracts, the customers require the Company to perform several tasks in providing an integrated output and, hence, each of these contracts are deemed as having only one performance obligation. When contracts are separated into multiple performance obligations, the Company allocates the total transaction price to each performance obligation based on the estimated relative standalone selling prices of the promised services underlying each performance obligation.

This evaluation requires professional judgment, and it may impact the timing and pattern of revenue recognition. If multiple performance obligations are identified, the Company generally uses the cost plus a margin approach to determine the relative standalone selling price of each performance obligation. The Company does not assess whether a contract contains a significant financing component if the Company expects, at contract inception, that the period between when payment by the client and the transfer of promised services to the client occur will be less than one year.

The Company currently generates its revenue from three different types of contractual arrangements: cost plus fixed fee ("CPFF"), firm-fixed-price contracts ("FFP") and time-and-materials ("T&M") contracts. The Company generally recognizes revenue over time as control is transferred to the customer, based on the extent of progress towards satisfaction of the performance obligation. The selection of the method used to measure progress requires judgment and is dependent on the contract type and the nature of the goods or services to be provided.

For CPFF contracts, the Company uses input progress measures to derive revenue based on hours worked on contract performance as follows: direct costs plus Defense Contract Audit Agency ("DCAA") approved provisional burdens plus fee. The provisional indirect rates are adjusted and billed at actual at year end. Revenue from FFP contracts is generally recognized ratably over the contract term, using a time-based measure of progress, even if billing is based on other metrics or milestones, including specific deliverables. For T&M contracts, the Company uses input progress measures to estimate revenue earned based on hours worked on contract performance at negotiated billing rates, plus direct costs and indirect cost burdens associated with materials and the direct expenses incurred in performance of the contract.

These arrangements generally qualify for the "right-to-invoice" practical expedient where revenue is recognized in proportion to billable consideration. FFP Level-Of-Effort contracts are substantially similar to T&M contracts except that the Company is required to deliver a specified level of effort over a stated period. For these contracts, the Company estimates revenue earned using contract hours worked at negotiated bill rates as the Company delivers the contractually required workforce.

Revenue generated by Contract Support Service contracts is recognized over time as services are provided, based on the transfer of control. Revenue generated by FFP contracts is recognized over time as performance obligations are satisfied. Most contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact of electing these transition practical expedients.

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Revenue generated from contracts with federal, state, and local governments is recorded over time, rather than at a point in time. Under the Contract Support Services contracts, the Company performs software design work as it is assigned by the customer, and bills the customer, generally semi-monthly, on either a CPFF or T&M basis, as labor hours are expended. Certain other government contracts for software development have specific deliverables and are structured as FFP contracts, which are generally billed as the performance obligations under the contract are met. Revenue recognition under FFP contracts require judgment to allocate the transaction price to the performance obligations. Contracts may have terms up to five years.

Contract accounting requires judgment relative to assessing risks and estimating contract revenue and costs and assumptions for schedule and technical issues. Due to the size and nature of contracts, estimates of revenue and costs are subject to a number of variables. For contract change orders, claims or similar items, judgment is required for estimating the amounts, assessing the potential for realization and determining whether realization is probable. Estimates of total contract revenue and costs are continuously monitored during the term of the contract and are subject to revision as the contract progresses. From time to time, facts develop that require revisions of revenue recognized or cost estimates. To the extent that a revised estimate affects the current or an earlier period, the cumulative effect of the revision is recognized in the period in which the facts requiring the revision become known.

The Company accounts for contract costs in accordance with ASC Topic 340-40, Contracts with Customers. The Company recognizes the cost of sales of a contract as expense when incurred or at the time a performance obligation is satisfied. The Company recognizes an asset from the costs to fulfill a contract only if the costs relate directly to a contract, the costs generate or enhance resources that will be used in satisfying a performance obligation in the future and the costs are expected to be recovered. The incremental costs of obtaining a contract are capitalized unless the costs would have been incurred regardless of whether the contract was obtained.

The following table disaggregates the Company's revenue by contract type for the years ended December 31:

	2022	2021	2020		2023	2022	2021
2023				2023		2022	2021
Revenue:	Revenue:						
Time and material							
Time and material							
Time and material	Time and material	\$25,302,224	\$15,381,979	\$10,419,729			
Firm fixed price	Firm fixed price	3,350,084	4,864,638	2,918,938			
Cost plus fixed fee	Cost plus fixed fee	13,538,335	4,745,646	—			
Other	Other	—	75,187	—			
Total	Total	\$42,190,643	\$25,067,450	\$13,338,667			

Contract Balances

Contract assets include unbilled amounts typically resulting from FFP contracts when the revenue recognized exceeds the amounts billed to the customer on uncompleted contracts. Contract liabilities consist of billings in excess of costs and estimated earnings on uncompleted contracts.

In accordance with industry practice, contract assets and liabilities related to costs and estimated earnings in excess of billings on uncompleted contracts, and billings in excess of costs and estimated earnings on uncompleted contracts, have been classified as current. The contract cycle for certain long-term contracts may extend beyond one year; thus, collection of the amounts related to these contracts may extend beyond one year.

Derivative Financial Instruments

Derivatives are recorded on the consolidated balance sheet at fair value. The conversion features of certain of the convertible instruments are embedded derivatives and are separately valued and accounted for on the consolidated balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Valuations derived from various models are subject to ongoing internal and external verification and review. The model used incorporates market-sourced inputs such as interest rates and stock price volatilities.

Selection of these inputs involves management's judgment and may impact net income (loss).

With the issuance of the July 2017 FASB ASU 2017-11, "Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815)," which addresses the complexity of accounting for certain financial instruments.

Under current GAAP, an equity-linked financial instrument that otherwise is not required to be classified as a liability under the guidance Topic 480 is evaluated under the guidance in Topic 815, *Derivatives and Hedging*, to determine whether it meets the definition of a derivative. If it meets that

definition, the instrument (or embedded feature) is evaluated to determine whether it is indexed to an entity's own stock as part of the analysis of whether it qualifies for a scope exception from derivative accounting.

Generally, for warrants and conversion options embedded in financial instruments that are deemed to have a debt host (assuming the underlying shares are readily convertible to cash or the contract provides for net settlement such that the embedded conversion option meets the definition of a derivative), a reporting entity is required to classify the freestanding financial instrument or the bifurcated conversion option as a liability, which the entity must measure at fair value initially and at each subsequent reporting date.

The amendments in this accounting standards update revise the guidance for instruments with embedded features in Subtopic 815-40, *Derivatives and Hedging—Contracts in Entity's Own Equity*, which is considered in determining whether an equity-linked financial instrument qualifies for a scope exception from derivative accounting.

Accounts Receivable and Concentration of Credit Risk

An allowance for credit losses is based on management's estimate of the overall collectability of accounts receivable, considering historical losses. Based on these same factors, individual accounts are charged off against the allowance when management determines those individual accounts are uncollectible. Credit extended to customers is generally uncollateralized. Past-due status is based on contractual terms. The Company does not charge interest on accounts receivable; however, United States ("U.S.") government agencies may pay interest on invoices outstanding more than 30 days. Interest income is recorded when received. As of December 31, 2022 December 31, 2023 and 2021, 2022, management did not consider an allowance for credit losses is necessary.

The Company's customer base is concentrated with a relatively small number of customers. The Company does not generally require collateral or other security to support accounts receivable. To reduce credit risk, the Company performs ongoing credit evaluations on its customers' financial condition. The Company establishes allowances for doubtful accounts credit losses based upon factors surrounding the credit risk of customers, historical trends and other information.

For the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020, 2021, the Company had three customers represent 62% 52%, 61% 62%, and 81% 61% of revenue earned, respectively. Any customer that represents 10% or greater of total revenue represents a risk. The Company also has three customers that represent 54% of the total accounts receivable as of December 31, 2023 and four customers that represent 60% of the total accounts receivable as of December 31, 2022 and three customers that represented 78% of the total accounts receivable as of December 31, 2021 and 2020.

Accounting for Income Taxes

Income taxes are accounted for under the asset and liability method. We estimate our income taxes in each of the jurisdictions where the Company operates. This process involves estimating our current tax expense or benefit together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some or all of the deferred tax assets will not be realized. In making this assessment, we consider the availability of loss carryforwards, projected reversals of deferred tax liabilities, projected future taxable income, and ongoing prudent and feasible tax planning strategies.

We are subject to income taxes in the federal and state tax jurisdictions based upon our business operations in those jurisdictions. Significant judgment is required in evaluating uncertain tax positions. We record uncertain tax positions in accordance with ASC 740-10 on the basis of a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position, and (2) with respect to those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority. Management evaluates its tax positions on a quarterly basis.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state tax jurisdictions. The federal and state income tax returns of the Company are subject to examination by the Internal Revenue Service ("IRS") and state taxing authorities, generally for three years after they were filed.

Share-Based Compensation

The Company follows ASC 718 *Compensation – Stock Compensation* and has adopted ASU 2017-09 *Compensation – Stock Compensation (Topic 718) Scope of Modification Accounting*. The Company calculates compensation expense for all awards granted, but not yet vested, based on the grant-date fair values. The Company recognizes these compensation costs, on a pro rata basis over the requisite service period of each vesting tranche of each award for service-based grants, and as the criteria is achieved for performance-based grants.

The Company adopted ASU 2016-09 *Improvements to Employee Share-Based Payment Accounting*. Cash paid when shares are directly withheld for tax withholding purposes is classified as a financing activity in the statement of cash flows.

Fair Value of Financial Instruments

ASC 825 *Financial Instruments* requires the Company to disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Company's financial instruments: The carrying amount of cash, accounts receivable, prepaid and other current assets, accounts payable and accrued liabilities, approximate fair value because of the short-term maturity of those instruments. The fair value of debt reflects the price at which the debt instrument would transact between market participants, in an orderly transaction at the measurement date. The fair value of the equity consideration from business combinations are measured using the price of our common stock at the measurement date, along with applying an appropriate discount for lack of marketability. For contingent liabilities from business combinations, the fair value is measured on the acquisition date using an option pricing model. The Company does not utilize derivative instruments for hedging purposes.

Earnings (Loss) Per Share of Common Stock

Basic net income (loss) per common share is computed using the weighted average number of common shares outstanding, as well as a warrant to purchase 1,080,717 shares of common stock for a total aggregate exercise price of \$1 granted in connection with the \$5,600,000 note payable maturing September 30, 2024, as the cash consideration for the holder/grantee to receive common shares was determined to be nonsubstantive. Diluted earnings per share ("EPS") include additional dilution from common stock equivalents, such as convertible notes, preferred stock, stock issuable pursuant to the exercise of stock options and all other warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for periods presented, so only the basic weighted average number of common shares are used in the computations. The Company subtracts dividends on preferred stock when calculating earnings (loss) per share. Refer to [Note 16, Subsequent Events](#).

Recent Accounting Pronouncements

The Company does not discuss recent pronouncements. In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This update requires disaggregated information about a reporting entity's effective tax rate reconciliations as well as information on income taxes paid. This update is effective for annual periods beginning in our fiscal year ending December 31, 2025. Early adoption is permitted. We are currently evaluating the impact that are not anticipated to this update will have an impact on or are unrelated to its our financial condition, results of operations, cash flows or statement disclosures. There have been no recently issued accounting pronouncements as of December 31, 2022 that would materially impact the Company.

Note 3: Acquisitions

The Company has completed the following acquisitions to achieve its business purposes as discussed in [Note 1, 1](#):

GTMR

On March 22, 2023, the Company entered into an agreement and plan of merger with GTMR. This acquisition was accounted for as a business combination whereby GTMR became a 100% owned subsidiary of the Company. The

Company acquired GTMR to expand our capabilities, increase market share, gain access to new contracts, and achieve cost efficiencies through synergies and economies of scale.

As the acquisitions made by the Company in 2022 and 2021 (MFSI, Merrison, SSI, and LSG) were acquisition was an equity acquisition of GTMR, certain assets of the common stock or membership interests of the companies, certain assets in some of the acquisitions acquisition (intangible assets and goodwill) are not considered deductible for tax purposes.

Mainnerv Federal Services, Inc.

The Company entered into a definitive merger agreement with MFSI, effective as of January 1, 2021. This acquisition closed on February 11, 2021. This acquisition was accounted for as a business combination whereby MFSI became a 100% owned subsidiary of the Company. The following represents the preliminary assets and liabilities acquired in this acquisition:

	March 31, 2023	Adjustments	December 31, 2023
Cash	\$ 475,000	\$ —	\$ 475,000
Accounts receivable and other receivables	1,380,203	(9,384)	1,370,819
Income tax receivable	155,449	(127,992)	27,457
Prepaid expenses	116,892	(30,856)	86,036
Other assets	17,182	—	17,182
Furniture and equipment	163,301	103,760	267,061
Right of use asset - operating lease	—	641,392	641,392
Customer relationships	2,426,000	—	2,426,000
Right of use - finance lease	—	17,456	17,456
Tradename	517,000	—	517,000
Backlog	1,774,000	—	1,774,000
Goodwill	1,822,466	279,571	2,102,037
Deferred tax liability	(1,244,368)	(242,093)	(1,486,461)
Lease liability - operating lease	(17,608)	(603,799)	(621,407)
Lease liability - finance lease	—	(12,549)	(12,549)
Accounts payable and accrued expenses	(1,030,957)	141,341	(889,616)
Net assets acquired	\$ 6,554,560	\$ 156,847	\$ 6,711,407

The consideration paid for GTMR was as follows:

Cash	\$	93,240	470,233
Accounts receivable Due to Seller		33,540	350,000
Unbilled receivable		45,316	
Other assets consideration		329,509	17,791
Right of use asset – operating lease	Cash from		
factoring		14,862	411,975
Customer relationships		348,000	
Non-compete agreement		4,000	
Goodwill		685,072	
Deferred tax liability		(97,419)	
Line of credit		(12,249)	
Lease liability – operating lease		(13,862)	
Accounts payable and accrued expenses		(47,572)	
Net assets acquired	\$		1,382,437

The consideration paid for the acquisition of MFSI was as follows:

Common stock	5,304,561
Accounts receivable note	156,847
Total consideration paid	\$1,382,437
	6,711,407

The MFSI acquisition GTMR Acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the MFSI acquisition, GTMR Acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. In order to To determine the fair values of tangible and intangible assets acquired and liabilities assumed for MFSI, the Company GTMR, we engaged a third-party independent valuation specialist. Intangible assets, which are primarily comprised of customer relationships and backlog, were valued using the excess earnings discounted cash flow method. On the date of the acquisition, the Company simultaneously factored \$411,975 of the accounts receivable from GTMR to finance the acquisition.

The Company had estimated received a preliminary valuation from its specialist and recorded the preliminary purchase price allocations value of the assets and liabilities acquired based on historical inputs and data as of January 1, 2021 March 22, 2023. The Company had a valuation prepared by an independent consultant. Upon the finalization allocation of the valuation of MFSI, purchase price is based on the best information available. The Company reclassified \$352,000 from goodwill into other intangible assets. There were no paid \$185,896 in transaction costs that were material of GTMR, which was excluded from the purchase price and issued an accounts receivable note ("Accounts Receivable Note") and held back \$350,000, the details for which have been discussed in amounts due to this transaction, seller in Note 9.

During the measurement period (which is the period required to obtain all necessary information that existed at the acquisition date, or to conclude that such information is unavailable, not to exceed one year), additional assets or liabilities may be recognized, or there could be changes to the amounts of assets or liabilities previously recognized on a preliminary basis, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of these assets or liabilities as of that date. The Company had reclassified a portion of the goodwill upon the finalization of an independent valuation report during the year ended December 31, 2021.

Merrison

The Company entered into a definitive merger agreement with Merrison, effective as of August 5, 2021. This acquisition was accounted for as a business combination whereby Merrison became a 100% owned subsidiary of the Company. The following represents the assets and liabilities acquired in this acquisition:

Cash	\$ 183,588
Accounts receivable and unbilled receivables	391,049
Customer relationships	322,000
Non-compete agreements	7,000
Trademarks	164,000
Backlog	115,000
Goodwill	780,730
Deferred tax liability	(243,730)
Accounts payable and accrued expenses	(102,354)
Net assets acquired	\$ 1,617,283

The consideration paid measurement period for the GTMR acquisition of Merrison was as follows:

Common stock	\$ 1,595,000
Cash	22,283
	\$ 1,617,283

The Merrison acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired is currently open and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the Merrison acquisition, and historical and current market data.

The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed for Merrison, the Company engaged a third-party independent valuation specialist. The Company had estimated the preliminary purchase price allocations based on historical inputs and data as of August 5, 2021. Upon finalization of the valuation, the Company allocated \$608,000 from goodwill to other intangible assets. There was a \$105,000 adjustment in total purchase consideration upon finalization of the valuations that was applied to goodwill. There were no transaction costs that were material to this transaction. There were no additional adjustments made during the year ended December 31, 2022.

SSI may remain open until March 22, 2024, but we do not anticipate any further adjustments.

The Company entered into a definitive merger agreement with SSI, effective as of August 12, 2021. This acquisition was accounted for as a business combination whereby SSI became a 100% owned subsidiary of the Company. The following represents the assets and liabilities acquired in this acquisition:

Cash	\$ 998,935
Accounts receivable and unbilled receivables	2,222,004
Prepaid expenses	147,600
Other asset	6,750
Furniture and equipment	148,931
Right of use asset – operating lease	169,063
Customer relationships	3,102,000
Non-compete agreements	65,000
Trademarks	367,000
Backlog	50,000
Goodwill	8,461,150
Deferred tax liability	(880,150)
Lease liability – operating lease	(167,333)
Contract liability	(226,591)
Accounts payable and accrued expenses	(1,134,509)
Net assets acquired	<u>\$ 13,329,850</u>

The consideration paid for the acquisition of SSI was as follows:

Common stock	\$ 7,872,850
Seller note	400,000
Cash	800,000
Contingent earnout	257,000
Lender financing	4,000,000
	<u>\$ 13,329,850</u>

The SSI acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the SSI acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. In order to determine the fair values of tangible and intangible assets acquired and liabilities assumed for SSI, the Company engaged a third-party independent valuation specialist.

The Company had estimated the preliminary purchase price allocations based on historical inputs and data as of August 12, 2021. Upon finalization of the valuation, the Company allocated \$3,584,000 from goodwill to other intangible assets. The Company paid \$50,500 of SSI's transaction costs. There was a \$2,608,661 adjustment in total purchase consideration upon finalization of the valuations that was applied to goodwill. During the measurement period, the Company reclassified recorded several adjustments to goodwill as a portion result of GTMR's adoption of ASC 842, tax adjustments, and an update to the fair value of acquired furniture and equipment. These measurement period adjustments were subsequently identified as a result of the goodwill upon the finalization completion of an independent valuation report during the year ended December 31, 2021. There were no additional adjustments made during the year ended December 31, 2022, third party accounting assistance.

Pax River

The Company also recorded a measurement period adjustment to goodwill as a result of finalizing the transaction price. The Company entered into an acquisition agreement with The Albers Group, LLC, on October 22, 2021 which closed November 16, 2021 for certain assets represented by accounts receivable note payable due to the Pax River business, sellers four months after the closing date of the transaction, subject to the adjustment of any net working capital deficiencies. This acquisition was accounted for as an asset purchase by the Company. The following represents the assets acquired in this acquisition:

Customer relationships (contracts)	\$ 2,400,000
Net assets acquired	\$ 2,400,000

The consideration paid for the acquisition of The Albers Group assets was as follows:

Common stock	\$ 1,925,000
Contingent consideration represented by obligation to issue shares (a)	275,000
Cash (included in amounts due to seller as of December 31, 2021)	200,000
	\$ 2,400,000

(a) It amount was determined that on March 31, 2022, that the requirements under section 1.5(b) of the acquisition agreement had not been achieved, and as a result the contingent consideration to issue the additional 68,750 common shares valued at \$275,000 would not be issued. The Company adjusted the customer relationships by the \$275,000 down to \$2,125,000. \$156,847.

Lexington Solutions Group ("LSG")

On April 15, 2022, the Company entered into Amendment No. 1 to Business Acquisition Agreement ("LSG Business Acquisition Agreement") with LSG to acquire the assets of LSG. This LSG Business Acquisition Agreement superseded the Business Acquisition Agreement originally entered into on February 11, 2022. Under the terms of the LSG Business Acquisition Agreement, the Company acquired assets and assumed liabilities of LSG for consideration as follows: (a) 625,000 shares of common stock (600,000 shares paid at closing (issued on May 4, 2022) and 25,000 shares to be held and due within three business days of payment of the second tranche of cash described below); and (b) cash payments as follows: \$250,000 due at closing ("initial cash payment"); \$250,000 plus or minus any applicable post-closing adjustments (subsequently determined to be \$21,003) which was paid within on the date that is six months after the closing date ("second tranche") (paid in October 2022); and \$280,000 that is was due no later than 10 months after the closing date of the acquisition (this amount was paid (paid in January 2023; refer to Note 16 2023)).

As the acquisition was of item 8 in this Annual Report on Form 10-K, the assets of LSG, intangible assets and goodwill are considered deductible for tax purposes.

The following represents the assets and liabilities acquired in this acquisition:

Receivable from Seller	\$	413,609
Due from employee/travel advance		5,000
Miscellaneous license		2,394
Customer relationships		785,000
Non-compete agreements		10,000
Backlog		489,000
Goodwill		1,471,000
Net Assets acquired		3,176,003
The consideration paid for the acquisition of LSG was as follows:		
Common stock (600,000 shares issued May 4, 2022)		2,280,000
Holdback shares (25,000 shares due six months after the closing date)		95,000
Cash		521,003
Due to seller (cash)		280,000
	\$	3,176,003

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The LSG acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, the total acquisition consideration price was allocated to the assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the LSG acquisition, and historical and current market data. The excess of the purchase price over the total of the estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. To

determine the fair values of tangible and intangible assets acquired and liabilities assumed for LSG, the Company engaged a third-party independent valuation specialist.

The Company had received a valuation from its specialist and recorded the value of the assets and liabilities acquired based on historical inputs and data as of April 15, 2022. The allocation of the purchase price is based on the best information available. The Company paid \$44,752 in LSG's transaction costs. The Company concluded that there were no costs of LSG, which was excluded from the purchase price. During the measurement period (which is the period required to obtain all necessary information that existed at the acquisition date, or to conclude that such information is unavailable, not to exceed one year), additional assets or liabilities may be recognized, or there could be changes to the amounts of assets or liabilities previously recognized on a preliminary basis, if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of these assets or liabilities as of that date. There have been no adjustments during for the year ended December 31, 2022. LSG is accounted for under December 31, 2023 and the Corvus reporting unit and its goodwill is presented accordingly in Note 5. measurement period was closed April 15, 2023.

For all acquisitions disclosed, there were no transaction costs that were not recognized as an expense.

The following table shows unaudited pro-forma results for the year ended December 31, 2022 December 31, 2023 and 2021, 2022, as if the acquisitions of Merrison, SSI, GTMR and LSG had occurred on January 1, 2021 (the Albers Group, LLC is not included below because it was an

asset purchase) January 1, 2022. These unaudited pro forma results of operations are based on the historical financial statements of each of the companies.

For the year ended December 31, 2022 December 31, 2023

Revenues	\$ 43,710,119	47,890,783
Net loss	\$ (14,142,670)	(17,893,806)
Net loss per share - basic	\$ (0.51)	(0.37)

For the year ended December 31, 2021 December 31, 2022

Revenues	\$ 21,205,940	54,080,245
Net loss	\$ (215,475)	(14,816,304)
Net loss per share - basic	\$ —	(0.53)

Revenue attributable to the GTMR acquisition included in our consolidated statement of operations for the year ended December 31, 2023, was \$7,779,478.

Note 4: Fixed Assets

Fixed assets consisted of the following as of December 31:

	2022	2021		2023	2022
Equipment and software	Equipment and software	\$ 141,732	\$ 60,148		
Furniture	Furniture	32,574	32,574		
Automobile					
Leasehold improvements	Leasehold improvements	83,266	75,265		
Total fixed assets	Total fixed assets	257,572	167,987		
Accumulated depreciation	Accumulated depreciation	(84,222)	(22,195)		
Fixed assets, net	Fixed assets, net	\$173,350	\$145,792		

Depreciation expense for the years ended December 31, 2022 December 31, 2023, 2022, and 2021 was \$148,512, \$62,026, and 2020 was \$62,026, \$19,120 and \$1,901 respectively.

Note 5: Intangible Assets and Goodwill

Intangible assets consisted of the following as of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022:

		December 31, 2022			December 31, 2023			December 31, 2023		
		Gross carrying value		Accumulated Amortization	Net carrying value	Gross carrying value		Accumulated Amortization	Net carrying value	
Customer relationships	Customer relationships years	4.5 - 15	\$ 9,535,000	\$(3,916,501)	\$ 5,618,499					
Trade name	Trade name years	4.5	266,000	(245,336)	20,664					
Trademark	Trademark years	15	533,864	(88,119)	445,745					
Backlog	Backlog years	2	1,436,000	(1,077,616)	358,384					
Non-compete agreement	Non-compete agreement years	3 - 4	684,000	(493,125)	190,875					
			\$ 12,454,864	\$(5,820,697)	\$ 6,634,167					
		\$								
		December 31, 2021			December 31, 2022			December 31, 2022		
		Gross carrying value		Accumulated Amortization	Net carrying value	Gross carrying value		Accumulated Amortization	Net carrying value	
Customer relationships	Customer relationships years	4.5 - 9	\$ 9,025,000	\$(2,497,998)	\$ 6,527,002					
Trade name	Trade name years	4.5	266,000	(143,123)	122,877					
Trademark	Trademark years	15	533,863	(24,387)	509,476					
Backlog	Backlog years	2	947,000	(858,089)	88,911					
Non-compete agreement	Non-compete agreement years	3 - 4	674,000	(326,667)	347,333					
		\$	\$ 11,445,863	\$(3,850,264)	\$ 7,595,599					

The intangible assets, with the exception of the trademarks, were recorded as part of the acquisitions of Corvus, MFSI, Merrison, LSG, SSI and SSI GTMR. Amortization expense for the years ended December 31, 2022 December 31, 2023, 2022, and 2021 was \$2,380,303, \$1,970,433, and 2020 was \$1,970,433, \$1,867,108 and \$1,828,353 respectively, and the intangible assets are being amortized based on the estimated future lives as noted above.

Future amortization of the intangible assets for the next five years as of December 31 are as follows:

2023	\$	1,950,067
2024		1,501,040
2025		879,353
2026		669,217
2027		479,528
2028		
Thereafter	Thereafter	1,154,962
Total	Total	\$ 6,634,167

The following table presents changes to goodwill for the years ended December 31, 2022 December 31, 2023 and 2021 2022 for each reporting unit:

	Corvus	SSI	MFSI	Merrison	Total
December 31, 2020	4,136,011	—	—	—	4,136,011
Goodwill acquired through acquisitions	—	8,461,150	685,073	780,730	9,926,953
December 31, 2021	4,136,011	8,461,150	685,073	780,730	14,062,964
Goodwill acquired through acquisitions	1,471,000	—	—	—	1,471,000
Merrison subsumed into Corvus	780,730	—	—	(780,730)	—
December 31, 2022	\$ 6,387,741	\$ 8,461,150	\$ 685,073	\$ —	\$ 15,533,964

There were no indicators of impairment noted in the periods presented.

	Corvus	SSI	MFSI	Merrison	Total
December 31, 2021	\$ 4,136,011	\$ 8,461,150	\$ 685,073	\$ 780,730	\$ 14,062,964
Goodwill acquired through acquisitions	1,471,000	—	—	—	1,471,000
Merrison subsumed into Corvus	780,730	—	—	(780,730)	—
December 31, 2022	6,387,741	8,461,150	685,073	—	15,533,964
Goodwill acquired through acquisitions	—	2,102,037	—	—	2,102,037
Impairment loss	(4,429,000)	(1,845,094)	(645,000)	—	(6,919,094)
December 31, 2023	\$ 1,958,741	\$ 8,718,093	\$ 40,073	\$ —	\$ 10,716,907

Note 6: Convertible Promissory Notes – Related Parties Party

The Company entered into convertible promissory notes – related parties party as follows as of December 31:

	2022	2021
Convertible note payable with a trust related to one of the Company's directors, convertible at \$0.260 per share, at 5% interest, (extinguished on April 4, 2022 for new note)	\$ 3,209,617	\$ 4,209,617
Total Convertible Notes Payable – Related Parties	\$ 3,209,617	\$ 4,209,617

Add: Premium recorded on convertible note due to fair value adjustment at date of acquisition of Corvus	—	2,569
Less: BCF Discount	(2,210,187)	(1,407,002)
	<u><u>\$ 999,430</u></u>	<u><u>\$ 2,805,184</u></u>

	2023	2022
Convertible note payable with a trust related to one of the Company's former directors, convertible at \$0.260 per share, at 5% interest, (extinguished on April 4, 2022 for new note)	\$ 3,209,617	\$ 3,209,617
Total Convertible Notes Payable – Related Party	\$ 3,209,617	\$ 3,209,617
Less: Debt discount	(971,405)	(2,210,187)
	<u><u>\$ 2,238,212</u></u>	<u><u>\$ 999,430</u></u>

Interest expense which includes amortization of discount and premium for the years ended December 31, 2022 December 31, 2023 and 2021 2022 was \$1,535,840 \$1,399,262 and \$1,638,057, \$1,535,840, respectively. The amount of the debt discount recorded related to the warrants conversion feature granted to the note holder was evaluated for characteristics of liability or equity and was determined to be equity under ASC 470 and ASC 480. The Company recognized this as additional paid in capital, and the discount is being amortized over the life of the note.

On February 1, 2021, the two promissory notes with The Buckhout Charitable Remainder Trust (Laurie Buckhout – Trustee), were combined into one new note in the principal balance of \$4,279,617, that has a new maturity date of February 1, 2024. The interest rate remains at 5% per annum. The conversion terms have remained at \$0.26 per share. It was determined that under ASC 470, the debt amendment was considered a modification. Then again on August 12, 2021, the convertible note was amended to remove the principal payments and extend the debt further to September 30, 2024. It was determined that under ASC 470, the debt amendment was considered a modification.

On April 4, 2022, the Company entered into a letter agreement with The Buckhout Charitable Remainder Trust (Laurie Buckhout – Trustee) whereby the Company made a partial repayment of \$500,000 ("First Payment") to reduce the note from \$4,209,617 to \$3,709,617. The First Payment of \$500,000 was paid from proceeds from Crom Cortana Fund, LLC ("Crom") as part of a unit agreement under the Securities Purchase Agreement ("SPA") entered into with Crom on April 4, 2022. The Company commenced accruing interest on March 1, 2022, however, no payment of interest was due through October 31, 2022. The Company originally intended to make a second payment ("Second Payment") of \$2,709,617 at the time of an anticipated secondary offering, initially expected to occur on or about August 1, 2022, subject to extensions through October 31, 2022. However, given the timing of our secondary offering, the Second Payment did not occur during the third quarter of 2022 and the Company negotiated an extension of the Second Payment to October 31, 2022. In October 2022, the Company made an advanced principal payment of \$500,000, further reducing the principal of the convertible promissory note to \$3,209,617.

The entire convertible promissory On February 22, 2024, the Company entered into a new note – related parties payable with the Buckout Charitable Remainder Trust. As a result, a majority of the balance is reflected in long-term non-current liabilities. Refer to subsequent events in Note 16 for more detail.

Note 7: Notes Payable

The Company entered into notes payable as follows as of December 31:

	2022	2021
Note payable at 7% originally due November 2023, now maturing September 30, 2024 (a)	\$5,600,000	\$5,600,000

Note payable at 10% interest dated February 28, 2022 and matures the earlier of (i) September 30, 2024 or (ii) the acceleration of the obligations as contemplated under the promissory note including the successful completion of an equity offering of at least \$15,000,000 (b)	400,000	—
	2023	2023
Note payable at 7% originally due November 2023, maturing September 30, 2024 (a)		
Note payable at 10% interest dated February 28, 2022 and matures the earlier of (i) September 30, 2024 or (ii) the acceleration of the obligations as contemplated under the promissory note including the successful completion of an equity offering of at least \$15,000,000 (b)		2022

Note payable at 12% interest dated April 6, 2023 and matures the earlier of (i) September 30, 2024 or (ii) the acceleration of the obligations as contemplated under the promissory note (c)	Convertible note payable, convertible at \$1.60 per share, at 7%, maturing April 4, 2023	890,000	—
Note payable with bank, at prime plus 3% interest (6.25% at December 31, 2022) maturing August 11, 2024	2,324,236	3,588,374	
Convertible note payable, convertible at \$1.20 per share, at 10%, maturing February 13, 2024 (d)			

Term note payable, at prime plus 3% interest, applied on a deferred basis (8.50% at December 31, 2023 and 6.25% at December 31, 2022) maturing August 11, 2024	Total Notes	
Payable	Payable	9,214,236 9,188,374
Less: Debt	Less: Debt	
Discount	Discount	(840,398) (796,565)
		\$8,373,838 \$8,391,809
		\$

- (a) On August 12, 2021, the note payable was amended to extend the debt to September 30, 2024. It was determined that under ASC 470, the debt amendment was considered a modification. The amount of the debt discount recorded related to the warrants granted to the note holder was evaluated for characteristics of liability or equity and was determined to be equity under ASC 470 and ASC 480.
- (b) On February 28, 2022, the Company was obligated to issue 125,000 shares of common stock as further consideration for making this loan to the Company. The shares were issued in April 2022.
- (c) On April 4, 2022 April 6, 2023, the Company entered into a **Securities Purchase Agreement ("SPA")** promissory note with **Crom**. The SPA included (a) a Convertible Promissory Note dated April 4, 2022 in the amount principal balance of \$1,050,000 \$400,000 bearing interest at 7% interest 12% per annum. This promissory note matures April 4, 2023 (one-year) and is convertible at a conversion price the earlier of \$1.60 per share; (b) September 30, 2024 or at the issuance of 656,250 warrants that mature April 4, 2027, with an exercise price of \$1.84 per share; and (c) the issuance of 1,250,000 common shares at \$0.40 per share (\$500,000), the proceeds of which were paid to The Buckhout Charitable Remainder Trust for the First Payment. In addition, Crom was issued 125,000 common shares as further inducement to enter into the SPA. The Company analyzed the debt instrument with Crom, under ASC 815-10, and determined that the conversion option should be separated from the host debt instrument (i.e., bifurcated) and classified as a derivative liability, along with the value acceleration of the warrants as obligations under the promissory note (together with those discussed in a derivative liability at the inception date of April 4, 2022 and b above, "Eisiminger Notes"). The fair value of the derivative liabilities at inception were reflected as a discount on the note, along with an original issue discount of \$50,000. Interest is paid in monthly installments and the discount of \$93,000 on the 1,250,000 shares of common stock issued to Crom that had a fair value of \$593,000, which exceeded the \$500,000 paid by Crom that will be amortized over the life of the note (one year). The derivative liabilities are marked to market each reporting period, and the Company recognized a loss on the change in fair value of the derivative liabilities of 132,000 from April 4, 2022 to December 31, 2022. Furthermore, on total principal is due upon maturity.
- (d) On February 13, 2023, the Company entered into a series of transactions with Crom Cortana Fund LLC ("Crom"), the primary purpose of which is related to the GTMR Acquisition entered into on March 22, 2023. In connection therewith, the Company and Crom entered into an agreement to pay off the total amount currently owed to Crom under the terms of the convertible promissory note. Refer note in the original principal amount of \$1,050,000 due April 4, 2023 ("Prior Crom Note"). In consideration of a \$300,000 cash payment and 556,250 shares of common stock representing conversion of the remaining principal balance of the Company's obligations under the Prior Crom Note are deemed satisfied reducing the balance to subsequent events zero; we induced conversion of the debt, which effectively extinguished the debt. Simultaneously therewith, the parties entered into the Securities Purchase Agreement (the "2023 SPA") pursuant to which Crom

purchased (a) a convertible promissory note in the principal amount of \$840,000 (the "2023 Note 16. Payable"), which matures February 13, 2024 and bears interest at a per annum rate equal to 10% to be paid monthly, and (b) a warrant pursuant to which Crom has the right to purchase up to 700,000 shares of the Company's common stock (the "2023 Warrant") at an exercise price of \$1.38 which expires 60 months from the date of issuance. The proceeds of the 2023 Note Payable were used primarily to fund the GTMR acquisition, as well as fund the aforementioned debt repayment.

Interest expense, which includes amortization of discount, for the years ended December 31, 2022 December 31, 2023, 2022, and 2021 was \$1,732,265, \$1,874,142, and 2020 was \$1,874,142, \$859,744 and \$748,092, respectively.

On April 4, 2022, the Company secured a \$950,000 revolving credit facility with Live Oak Bank ("Revolving Credit Facility"). The Revolving Credit Facility matures on March 28, 2029, and draws on it are charged interest at the rate of prime plus 2.75% per annum. Interest is payable monthly. On April 12, 2022 The outstanding balance as of December 31, 2023 and December 31, 2022, the Company was advanced \$300,025 under the Revolving Credit Facility. Facility was \$625,025 and \$300,025, respectively.

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On February 22, 2024, the Company extended the maturity date of the Eisiminger Notes. As a result, the majority of the balance is reflected in non-current liabilities. Refer to subsequent events in [Note 16](#) for more detail.

Total Due to the subsequent events described under [Note 16](#), the total principal payments on our notes payable for the next three years as of December 31, 2022 are as follows:

2023		\$	2,244,627
2024	2024		6,969,609
2025	2025		—
2026			
Total	Total	\$	9,214,236

Note 8: Note Payable – Related Party

The Company entered into a note payable – related party as follows as of December 31:

	2022	2021
Note payable at 5% due December 31, 2024, in connection with the acquisition of SSI	\$ 400,000	\$ 400,000
	2023	2022
Note payable at 5% due December 31, 2024, in connection with the acquisition of SSI	\$ 400,000	\$ 400,000

Interest expense for both the years ended December 31, 2022 December 31, 2023 and 2021 2022 was \$20,000 and \$7,726, respectively. \$20,000. Interest expense for the year ended December 31, 2021, was \$7,726.

The entire note payable – related party On February 16, 2024, the Company extended the maturity date of this note. As a result, the balance is reflected in long-term non-current liabilities. Refer to subsequent events in [Note 16](#) for more detail.

Note 9: Amount Due To Seller

In the acquisition of GTMR, the Company was obligated to pay \$1,250,000 which included \$350,000 held back to satisfy any net working capital deficiencies. This balance was originally scheduled to be paid six months following the closing date, however, payment has been postponed and the unpaid balance of \$350,000 will accrue interest at an annual rate of 5% until it is paid in full in July of 2024. The \$350,000 is recorded in current liabilities on the Company's Consolidated Balance Sheets as of December 31, 2023.

In the acquisition of GTMR, the Company also issued an Accounts Receivable Note to the sellers of GTMR whereby the Company is obligated to pay the sellers a principal amount of \$206,587, adjusted for deficiencies in net working capital, for four months following the closing date of the acquisition. The Company determined a net working capital deficiency of \$49,740 resulting in an amount due to the sellers of \$156,847. This amount was paid in full during the three months ended September 30, 2023.

In the acquisition of LSG, the Company was obligated to pay \$3,176,003, which included cash of \$780,000 and a working capital adjustment of \$21,003. Of this amount, \$521,003 was paid by December 31, 2022. The remaining \$280,000 of this balance is recorded as a current liability under "Due to Seller" on the Consolidated Balance Sheet as of December 31, 2022.

In the acquisition of assets in The Albers Group, LLC transaction, the Company was obligated to pay \$200,000 as part of the acquisition, post the effective date of October 22, 2021. This amount was paid over a 10-month period commencing February 2022. The \$200,000 was non-interest bearing and was reflected as a current liability on the Consolidated Balance Sheet as of December 31, 2021 under "Due to seller" January 23, 2023. This amount has been paid in full as of December 31, 2022 and is no longer reflected on the consolidated balance sheets.

Note 10: Stockholders' Equity (Deficit)

On October 13, 2022, the Company effected a 1-for-20 reverse split of our authorized and outstanding shares of common stock. As a result of the Reverse Stock Split, all authorized and outstanding common stock and per share amounts in this Annual Report on Form 10-K, including but not limited to, the consolidated financial statements and footnotes included herein, have been adjusted to reflect the Reverse Stock Split for all periods presented.

On July 19, 2021, the Company filed a Certificate of Amendment with the State of Nevada to change the par value of all common and preferred stock to all be \$0.0001. All changes to the par value dollar amount for these classes of stock and adjustment to additional paid in capital have been made retroactively.

Preferred Stock

The Company has 50,000,000 shares of preferred stock authorized. The Company has designated a Series A Preferred Stock, Series B Preferred Stock and Series C Preferred Stock. The Series B Preferred Stock was fully converted into Common Stock during 2022, and as such, there is no outstanding Series B Preferred Stock as of December 31, 2022 December 31, 2023.

Series A Preferred Stock

The Company has designated 10,000,000 shares of Series A Preferred Stock, par value of \$0.0001.

On April 7, 2022, the Company amended the Certificate of Designation for its Series A Preferred Stock to (a) provide for an annualized dividend of \$0.0125 per share to be paid monthly; (b) amend the conversion ratio for each share of Series A Preferred Stock to convert into two shares of common stock instead of 20 shares of common stock; and (c) provide for the Company to have the option to repurchase the Series A Preferred Stock at any time at a price of \$1 per share. In connection with the Amendment to the Certificate of Designation, former officers of the Company ("Former Officers") entered into a letter agreement dated April 4, 2022 with Crom and the Company for Crom to purchase 1,750,000 shares of Common

Stock from the officers for \$445,000, \$455,000, the proceeds of which were paid directly to the Former Officers. The letter agreement also provided for the Former Officers to sell certain amounts of the common stock they own through the date of the public offering.

As of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the Company had 5,875,000 shares of Series A Preferred Stock issued and outstanding, respectively. The 5,875,000 shares were issued to the Former Officers of the Company in settlement of debt. For the year ended December 31, 2022 December 31, 2023, the Company has total preferred stock dividends recognized of \$100,516, \$118,152, of which \$54,988 \$72,624 is related to Series A Preferred Stock dividends.

Series B Preferred Stock

The Company has designated 10,000,000 shares of Series B Preferred Stock, par value of \$0.0001. On October 17, 2022 the Company issued a total of 15,375,000 shares of Common Stock in connection with the conversion of all of its Series B preferred shares outstanding in connection with its public offering. As of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the Company had 0 and 3,610,000 shares of Series B Preferred Stock issued and outstanding, respectively. The 3,610,000 shares were issued to the shareholders, who are also directors of the Company, for the Bayberry acquisition in June 2019.

Series C Preferred Stock

The Company has designated 10,000,000 shares of Series C Preferred Stock, par value of \$0.0001 (effective July 19, 2021). In the year ended December 31, 2022, the Company raised \$150,000 for 150,000 shares of Series C Preferred Stock. In the year ended December 31, 2021, the Company raised \$620,000 for 620,000 shares of Series C Preferred Stock along with 1,240,000 common shares. Each share of the Series C Preferred Stock is convertible into 0.625 common shares, and the Series C Preferred Stock pays a \$0.06 dividend per Series C Preferred share per year. The dividend commenced accruing when the Series C Preferred Shares were fully designated and issued.

For the year ended December 31, 2022 December 31, 2023, the Company has total preferred stock dividends recognized of \$100,516 \$118,152 of which \$45,528 is related to Series C Preferred Stock dividends. The Series C Preferred Stockholders under their subscription agreements were issued 0.1 common shares per Series C Preferred share for their investment. As a result, the Company issued 62,000 common shares for the 620,000 Series C Preferred shares purchased. As of December 31, 2021 December 31, 2022, another \$25,000 was raised for an additional 25,000 Series C Preferred shares and 2,500 common shares that were not issued as of the balance sheet date. The \$25,000 is reflected as an obligation to issue shares on the Consolidated Balance Sheet as of December 31, 2021 December 31, 2022.

Common Stock

The Company has 3,000,000,000 shares of common stock, par value \$0.0001 authorized. The Company had 41,699,363 47,672,427 and 19,960,632 41,699,363 shares issued and outstanding as of December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The holders of the Company's Common Stock are entitled to one vote for each share of common stock held.

On October 17, 2022, the Company closed its public offering of 1,500,000 shares of common stock consisting of 1,350,000 shares sold by the Company and 150,000 shares sold by certain selling stockholders, at a public offering price of \$2.00 per share. In connection therewith, the Company issued 1,231 shares of common stock to stockholders with fractional shares resulting from the Reverse Stock Split.

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Warrants

The following represents a summary of warrants for the years ended December 31:

2022				2021			
		Weighted	Weighted			Weighted	Weighted
		Average	Average			Average	Average
		Exercise	Exercise			Exercise	Exercise
Number	Price	Number	Price	Number	Price	Number	Price
2023				2023		2022	
						Weighted	Weighted
						Average	Average
						Exercise	Exercise
Number	Price	Number	Price	Number	Price	Number	Price

Beginning balance	Beginning balance	3,161,568	\$ 1.60	1,090,717	\$ 0.00
Granted	Granted				
Granted	Granted	2,517,268	2.22	2,070,851	2.40
Ending balance	Ending balance	5,678,836	\$ 1.84	3,161,568	\$ 1.60
Intrinsic value of warrants	Intrinsic value of warrants	\$1,374,303		\$5,706,473	
Weighted Average	Weighted Average				
Remaining Contractual Life (Years)	Remaining Contractual Life (Years)				
		5.48			

Options

On November 9, 2021, As of December 31, 2023, the Company has granted 522,265 shares of common stock under the Stock Incentive Plan. In addition, on November 9, 2021, the Company approved the 2021 Stock Incentive Plan ("Stock Incentive Plan") that authorizes the Company to grant up to 2,500,000 shares of common stock. Prior to this date, the granting of options was not done in accordance with pursuant to the terms of a stock option incentive plan. As of December 31, 2022, the Company has granted 62,500 shares of common stock under the Stock Incentive Plan.

The following represents a summary of options for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

		Weighted-Average		Weighted-Average	
		Weighted-Average	Remaining	Weighted-Average	Remaining
		Number of Options	Exercise Price	Contractual Term (in Years)	Weighted-Average Fair Value
Outstanding, December 31, 2020		1,856,250	\$ 0.80	6.16	1.98
Outstanding, December 31, 2021					
Granted	Granted	4,087,500	2.40		
Exercised	Exercised	(10,000)	(0.80)		
Forfeited	Forfeited	(1,339,062)	(0.60)		
Outstanding December 31, 2021		4,594,688	2.09	6.21	3.72
Forfeited					
Outstanding December 31, 2022					

Outstanding December 31, 2022					
Outstanding December 31, 2022					
Granted	Granted	2,585,000	3.45	6.25	3.34
Exercised	Exercised	(15,000)	0.80		
Forfeited	Forfeited	(739,688)	2.41		
Outstanding December 31, 2022					
Outstanding December 31, 2022		6,425,000	\$ 2.69	5.63	4.26
Forfeited					
Forfeited					
Outstanding December 31, 2023					
Outstanding December 31, 2023					
Outstanding December 31, 2023					
As of December 31, 2022					
As of December 31, 2023					
As of December 31, 2023					
As of December 31, 2023					
Vested and Exercisable	Vested and Exercisable	2,529,397	\$ 2.22	5.33	\$ 3.07
Vested and Exercisable					
Vested and Exercisable					

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Stock based compensation expense related to stock options for the years ended December 31, 2022 December 31, 2023 and 2021 2022 was \$4,985,233 \$5,923,200 and \$3,113,261, \$4,985,233, respectively, which is comprised of \$3,852,606 \$4,675,129 and \$1,564,080 \$3,852,606 in service-based grants and \$1,132,627 \$1,248,071 and \$1,549,181 \$1,132,627 in performance-based grants, for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

In accordance with ASC 718-10-50, the Company measures the fair value of its share-based payment arrangements using the Black-Scholes model. The Company measures the share-based compensation on the grant date using the following assumptions:

Year Ended
December
31,
2022 2021

Year Ended December 31,				Year Ended December 31,	
2023				2023	
Expected term	Expected term	7 years	7 years	Expected term	7 years
Expected volatility	Expected volatility	114 - 157%	135 - 177%	Expected volatility	161.61% - 166.14%
Expected dividend yield	Expected dividend yield	—	—		
Risk-free interest rate	Risk-free interest rate	2.00 - 4.18%	0.10 %	Risk-free interest rate	3.48% - 3.89%
					0.10 %

The Company measures the share-based compensation for all stock options and warrants that are not considered derivative liabilities using the Black-Scholes method with these assumptions, and any changes to these inputs can produce significantly higher or lower fair value measurements. The weighted average grant date fair value of the options granted during the years ended December 31, 2022 December 31, 2023 and 2021 was \$3.34 \$1.10 and \$2.40, \$3.34, respectively. The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury Security with a maturity equal to the expected life of the stock option from the date of the grant. The assumption for expected volatility is based on the historical volatility of the Company. Aside from dividends paid on preferred shares, it is the Company's intent to retain all profits for the operations of the business for the foreseeable future, as such the dividend yield assumption is zero.

Note 11: Fair Value

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAP sets forth a three-level fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels are as follows:

Level 1 – defined as observable inputs, such as quoted market prices in active markets.

Level 2 – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 – defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

Our financial assets and liabilities subject to the three-level fair value hierarchy consist principally of cash and cash equivalents, accounts receivable, accounts payable, contingent consideration and derivative liabilities. The estimated fair value of cash and cash equivalents, accounts receivable, fixed interest debt and accounts payable approximates their carrying value.

The On April 4, 2022, the Company issued common stock, a convertible note, and warrants in a SPA securities purchase agreement ("SPA"), with Crom. Crom ("2022 Crom SPA"). The Company had evaluated the conversion option liability in the convertible note and the warrants ("Derivative Liabilities") to determine proper accounting treatment and determined them to be derivative liabilities ("Derivative Liabilities").

On February 13, 2023, the 2022 Crom SPA was terminated through an induced conversion thereby extinguishing the conversion option liability associated with the 2022 Crom note; the warrants were not affected. Concurrent with the termination of the 2022 Crom SPA, the Company issued common stock, a convertible note, and warrants in an SPA with Crom . The Company evaluated the conversion option in this convertible note and these warrants to determine proper accounting treatment and determined them to be derivative liabilities (also "Derivative Liabilities"). The Derivative Liabilities identified had and have been accounted for utilizing ASC 815 Derivatives "Derivatives and Hedging."

The Company has incurred a liability recognized liabilities for the estimated fair value values of the Derivative Liabilities. The estimated fair value values of the Derivative Liabilities has been these liabilities were calculated using a binomial pricing model with key input variables by an independent third party, as of the date of issuance, with changes in fair value recorded as gains or losses on revaluation in other income (expense).

The contingent earnout included in total consideration for the SSI acquisition included in as of December 31, 2022, presented as part of current liabilities on the Condensed Consolidated Balance Sheets, is was measured at fair value on a recurring basis using the present value approach, which incorporates factors such as revenue growth and forecasted adjusted EBITDA to estimate expected value. Changes in fair value of the contingent earnout are were recorded as gains or losses on revaluation in operating expenses on the Consolidated Statements of Operations. Operations until the earnout amount was settled with the sellers of SSI. On February 15, 2024, the Company agreed to the amount and timing of the earnout payout. Please see [Note 16](#) for subsequent events.

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The Company determined that the significant inputs used to value the Derivative Liabilities and the contingent earnout fall within Level 3 of the fair value hierarchy. As a result, the Company has determined that the valuation of its Derivative Liabilities and contingent earnout are classified in Level 3 of the fair value hierarchy as shown in the table below:

Fair Value Measurements at December 31, 2022					
	Level 1	Level 2	Level 3	Total	
Derivative Liabilities	\$ —	\$ —	\$ 824,000	\$ 824,000	\$ 824,000
Contingent earnout	—	—	812,000	812,000	812,000
Total	\$ —	\$ —	\$ 1,636,000	\$ 1,636,000	\$ 1,636,000

Fair Value Measurements at December 31, 2023					
	Level 1	Level 2	Level 3	Total	
Derivative Liabilities	\$ —	\$ —	\$ 157,600	\$ 157,600	\$ 157,600

Fair Value Measurements at December 31, 2022			Fair Value Measurements at December 31, 2022			
Level	1	Level 1	Level 2	Level 3	Total	
Fair Value Measurements at December 31, 2021						
	Level	Level 1	Level 2	Level 3		Total
	Level	1	2	Level 3	Total	
Derivative Liabilities						
Derivative Liabilities						
Derivative Liabilities						
Contingent Contingent						
earnout	earnout	\$ —	\$ —	\$ 257,000	\$ 257,000	

Total	Total	\$	—	\$	—	\$257,000	\$257,000
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The Company's Derivative Liabilities as of December 31 are as follows:

	2022	2021	Inception		2023	2022	Inception
Fair value of conversion option of Crom Cortana Fund LLC convertible note							
	\$ 191,000	\$ —	\$314,000				
	2023				2023	2022	Inception
Fair value of conversion option in 2022 Crom convertible note							
Fair Value of 656,250 warrants on April 4, 2022	Fair Value of 656,250 warrants on April 4, 2022						
	\$ 633,000	\$ —	\$378,000				
	\$ 824,000	\$ —	\$692,000				
Fair value of conversion option in 2023 Crom convertible note							
Fair value of 700,000 warrants on February 13, 2023							
	\$				\$ 157,600	\$ 824,000	
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the year ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020 2021 the Company recognized changes in the fair value of the Derivative Liabilities of \$666,400, \$824,000, \$0, and \$0 respectively.

Activity related to the Derivative Liabilities for the year ended December 31, 2022 December 31, 2023 is as follows:

Beginning balance as of December 31, 2021	December 31, 2022	\$ (824,000)
Issuance of Derivative Liabilities		(692,000) (421,000)
Change in fair value of Derivative Liabilities		(132,000) 1,087,400
Ending balance as of December 31, 2022	December 31, 2023	\$ (824,000) (157,600)

Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of the Derivative Liabilities is estimated using a binomial valuation model. The assumptions, inputs and methodologies the Company uses in determining fair value result in inherent uncertainty due to the application of judgment. The following assumptions were used for the periods as follows:

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	December 31, 2022	Inception - April 4, 2022
Expected term - conversion option	0.26 years	1 year
Expected term - warrants	4.26 years	5 years
Stock price as of measurement date	\$ 1.26	\$ 3.80
Equity volatility - unadjusted	161.00 %	278.80 %
Volatility haircut	5.00 %	5.00 %
Selected volatility - post haircut	156.50 %	112.60 %
Senior unsecured synthetic credit rating	CCC+	CCC+
B- market yield	6.30 %	4.50 %
OAS differential between CCC+ and B- bonds	387 bps	383 bps
Risk adjusted rate	10.30 %	8.30 %
Risk-free interest rate	4.40 %	1.70 %

	2023	2022
Stock Price	\$ 0.30	\$ 1.26
Conversion option - convertible note	1.20	1.60
Strike price - warrants	1.38 - 1.84	1.84
Term	0.12 years - 4.10 years	0.26 years - 4.26 years
Volatility	98.00% - 148.30%	121.00% - 156.50%
Market yield - conversion option	17.40 %	10.30 %
Risk-free rate	3.90% - 5.60%	4.10% - 4.40%

Note 12: Related-Party Transactions

During 2023, the Company granted warrants to two of its officers pursuant to the employment agreements with these officers as a bonus for closing the GTMR Acquisition.

During 2022, the Company repaid \$1,000,000 of note principal to a member of its Board of Directors in relation to payments on its related party note payable. For details on this note payable refer to [Note 6](#).

In June 2021, the Company raised \$220,000 for 220,000 shares of the to be designated Series C Preferred Stock along with 440,000 common shares from the newly hired Chief Growth Officer of the Company.

In January 2021, August 2021, November 2021 and April 2022, the Company granted warrants to two of its officers pursuant to the employment agreements with these officers as a bonus for closing the MFSI, Merrison, SSI, Pax River (assets purchased from The Albers Group, LLC) and LSG transactions.

During 2022, the Company repaid \$1,000,000 of note principal to a member of its Board of Directors in relation to payments on its related party note payable. For details on this note payable refer to Note 6.

Note 13: Defined Contribution Plan

The Company maintains a and its subsidiaries maintain 401(k) plan plans as a defined contribution retirement plan for all eligible employees.

The Each 401(k) plan provides for tax-deferred contributions of employees' salaries, limited to a maximum annual amount as established by the IRS. The plan enrolls plans enroll employees immediately with no age or service requirement.

The aggregate 401(k) Plan employer match was \$882,707, \$651,353 \$434,267 and \$271,647 \$434,267 in the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

Note 14: Commitments

The Company, since April 2020, has entered into a series of employment agreements with management and key employees. The employment agreements are generally for terms ranging from three to four years and stipulate the compensation which include base pay and bonuses, as well as non-cash compensation (warrants or stock options) that are to be issued to the employee. The employment agreements run through June 30, 2025.

On April 1, 2020, the Company entered into employment agreements with both Mark Fuller and Jay Wright (the "Two Officers"). The agreements have a term of three years. Pursuant to the agreements, each of the Two Officers have a base salary of \$240,000 per year and may be increased to \$25,000 per month upon reaching an annualized revenue run rate of \$25,000,000 or greater (which occurred in 2021), \$30,000 per month upon reaching an annualized revenue of \$50,000,000 or greater (which occurred in March, 2023), or \$40,000 per month upon reaching an annualized revenue run rate of \$75,000,000 or greater.

The Company shall pay to the Two Officers a cash bonus equal to the lesser of (i) one percent (1%) of the trailing twelve months revenues of each company acquired during the term of the employment agreement, or (ii) four percent (4%) of the trailing twelve month EBITDA of each business acquired during the term of the employment agreement, provided that, for a bonus to be due, such acquisition must be accretive to the Company on both a revenue per share and EBITDA per share basis. Additionally, the Company shall issue 1 warrant to each of the Two Officers for each \$1 of revenue acquired in any such acquisition with a 7-year term and a strike price equal to the price used in such acquisition or if no stock is used, the 30-day moving average closing price of the Company's stock.

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An additional bonus of \$50,000 and 500,000 warrants with a \$2.00 strike price shall be paid to the the Two Officers upon the Company commencing trading on either the Nasdaq or the NYSE American (which occurred on October 13, 2022), and an additional bonus of \$125,000 and 1,250,000 warrants with a \$2.40 strike price shall be paid to each of the Two Officers upon the Company joining the Russell 3000 and/or Russell 2000 stock index(ices).

On July 1, 2021, the Company entered into an employment agreement with its Chief Growth Officer for a period of four years, expiring June 30, 2025. Pursuant to the agreements, the Chief Growth Officer has a base salary of \$250,000 per year and may be increased to \$25,000 per month upon the Navy division reaching an annualized revenue run rate of \$25,000,000 or greater (which occurred in 2021), \$30,000 per month upon the

Navy division reaching an annualized revenue of \$60,000,000 or greater, or \$40,000 per month upon the Navy division reaching an annualized revenue run rate of \$100,000,000 or greater.

The Chief Growth Officer is entitled to a bonus at the discretion of the Board of Directors annually. In addition, the Chief Growth Officer was granted 1,500,000 stock options, which 750,000 are considered time based grants over a vesting period of four years; and 750,000 are performance based grants as follows: (a) 250,000 upon the closing of an acquisition in the Navy division of a company with annualized revenue of \$12 million or greater; (b) 250,000 upon the Navy division achieving \$25 million in revenue and \$2.5 million in EBITDA in any 12 month period; and (c) 250,000 upon the overall Company achieving \$100 million in revenue run rate based on quarterly performance (i.e. \$25 million in any calendar quarter).

On August 5, 2021, the Company and the former executive of Merrison (the "Executive") entered into an employment agreement for a period of three years through August 5, 2024. Under the employment agreement, the Executive shall be paid a base salary of \$220,000 annually and receive 150,000 stock options. In addition, the Executive will be provided a bonus of \$80,000 payable annually on August 31 each year, starting August 31, 2022, if and only if Merrison maintains an annualized net income of \$500,000 for the one-year period ending on the applicable August 31.

On August 12, 2021, the Company entered into several employment agreements for three-year periods with the two executives of SSI as well as three key management personnel. These agreements all contain base salaries and bonus criteria. In addition, the three key management personnel received 300,000 stock options each, of which one of those three retired December 31, 2021.

On April 25, 2022, the Company entered into an employment agreement with its Chief Financial Officer ("CFO"). The employment agreement has a term of three years and five days and automatically renews for successive one-year periods unless terminated by the Company or the CFO, with 90 days advance notice of its intent not to renew. The agreement provides for an annual base salary of \$275,000 (the "CFO Base Salary"). The CFO Base Salary will increase as follows: (i) \$25,000 per month upon the Company achieving an annualized revenue run rate of \$50,000,000 or greater; (ii) \$35,000 per month upon the Company achieving an annualized revenue run rate of \$75,000,000 or greater; (iii) \$40,000 per month upon the Company reaching an annualized revenue run rate of \$150,000,000 or greater and EBITDA margin of no less than 7%; and (iv) \$45,000 per month upon the Company reaching an annualized revenue run rate of \$300,000,000 or greater and adjusted EBITDA margin of no less than 8%. The CFO Base Salary shall be payable in regular installments in accordance with the Company's general payroll practices.

Additionally, the CFO shall be eligible to earn a performance bonus at the discretion of the Board of the Company with target bonuses that are the following percentages of CFO Base Salary based on certain performance criteria set forth in the employment agreement: (i) 50% of CFO Base Salary of less than \$35,000 per month; (ii) 60% of CFO Base Salary of \$35,000 to less than \$40,000 per month; and (iii) 100% of CFO Base Salary of \$40,000 or more per month. The performance criteria include (a) ensure on time filing of all periodic filings (Form 10Q and Form 10K) and event driven filings (Schedule 13(d), Section 16 filings (Forms 3, 4, and 5) and Form 8K); (b) ensure on time filings and payment of all federal, state and local tax obligations; and (c) prepare an annual consolidated draft budget based on subsidiary budgets by October 31 each year. The CFO is entitled to earn an additional bonus of (i) \$50,000 and 500,000 warrants to purchase the Company's common stock with an exercise price of \$2.00 upon the Company's common stock trading on any tier of the Nasdaq or the New York Stock Exchange (which occurred on October 13, 2022), and (ii) \$100,000 and 750,000 warrants to purchase the Company's common stock with an exercise price of \$2.40 upon the Company joining the Russell 3000 and/or Russell 2000 stock index(ices). The Board of the Company may pay an additional bonus (separate from any target) in its sole discretion.

As an additional incentive for entering into the employment agreement, the CFO was granted 1,800,000 stock options to purchase the Company's common stock at an exercise price of \$3.80 per share. The price amount is subject to adjustment in the event of a forward or reverse stock split, stock dividend or other similar mechanism. The stock options share which vest ratably

over the first 36 months of employment with the Company. In

On March 22, 2023, the Company entered into a three year employment agreement with an executive in connection with the GTMR Acquisition. The agreement provides an annual base salary of \$200,000 and bonus criteria. As an additional incentive for entering into the employment agreement, the executive received 300,000 incentive stock options issued pursuant to the terms of the Company, unvested options shall not vest unless (i) the CFO is not given a commensurate position in the resulting organization, or (ii) the change in control transaction results in a price to stockholders of at least \$8.00 per share. The agreement entitles the CFO to receive various employee benefits generally made available to other officers and senior executives of the Company.

Stock Incentive Plan.

Note 15: Income Taxes

The following table summarizes the significant differences between the U.S. federal statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended December 31:

	2022	2021	2020		2023	2022	2021
	2023				2023	2022	2021
Federal income taxes at statutory rate	Federal income taxes at statutory rate	21.00 %	21.00 %	21.00 %	Federal income taxes at statutory rate	21.00 %	21.00 %
State income taxes at statutory rate	State income taxes at statutory rate	3.50 %	7.61 %	4.76 %	State income taxes at statutory rate	2.20 %	3.50 %
Change in tax rate	Change in tax rate	(2.90)%	(1.58)%	2.17 %	Change in tax rate	(0.80) %	(2.90) %
Permanent differences	Permanent differences	(7.70)%	(0.98)%	0.02 %	Permanent differences	(3.60) %	(7.70) %
Other	Other	(1.70)%	(0.04)%	— %	Other	0.50 %	(1.70) %
Goodwill impairment				Goodwill impairment		(6.30) %	— %
Change in valuation allowance	Change in valuation allowance	(17.90)%	0.00 %	— %	Change in valuation allowance	(6.40) %	(17.90) %
Totals	Totals	(5.70)%	26.01 %	27.95 %	Totals	6.60 %	(5.70) %
							26.01 %

The following is a summary of the net deferred tax asset (liability) as of December 31:

	2022	2021	2020		2023	2022	2021
	2023				2023	2022	2021
Deferred tax assets:	Deferred tax assets:						
Net operating losses	\$ —	\$ —	\$ 53,457				
Deferred interest							
Deferred interest							
Deferred interest							

Lease liabilities	Lease liabilities	8,973	—	—
Accrued bonus/PTO/Vacation		148,776	95,673	73,390
Stock options/consultant stock		3,008,318	2,358,218	243,628
Section 195 costs		41,817	53,881	52,416
Accrued expenses				
Stock compensation				
Transaction costs				
Other	Other	149,153	2,407	1,281
	Total			
Total deferred tax assets	tax assets	3,357,037	2,510,179	424,172
Deferred tax liabilities:	tax liabilities:			
Deferred tax liabilities:				
Deferred tax liabilities:				
Intangible assets				
Intangible assets				
Intangible assets	Intangible assets	(939,607)	(1,334,460)	(620,722)
ROU Assets	Assets	(9,052)	—	—
Property and equipment	Property and equipment	(8,569)	(14,312)	(1,438)
Debt discount	Debt discount	(741,579)	(400,064)	(707,703)
Section 481(a) adjustment		(43,443)	(151,310)	(159,554)
Cash to accrual method change				
Total deferred tax liabilities				
Total deferred tax liabilities				

	Total	
	deferred	
Total deferred tax liabilities	liabilities	(1,742,250) (1,900,146) (1,489,417)
Valuation allowance	Valuation allowance	\$ (1,614,787) \$ — \$ —
Valuation allowance		
Valuation allowance		
	Net	
Net deferred tax assets	tax assets	
(liabilities)	(liabilities)	\$ — \$ 610,033 \$(1,065,245)
Net deferred tax assets		
(liabilities)		
Net deferred tax assets		
(liabilities)		

A full valuation allowance was established in the second quarter of 2022 due to the uncertainty of the utilization of deferred tax assets in future periods. In evaluating the Company's ability to realize the deferred tax assets, management considered all available positive and negative evidence, including cumulative historic earnings, reversal of temporary differences, projected taxable income and tax planning strategies. The Company's negative evidence, largely related to the Company's historical pre-tax net losses, currently outweighs its positive evidence of future taxable income therefore it is **more-likely-**

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than-not more-likely-than-not that the Company will not realize a significant portion of our deferred tax assets. The amount of the deferred tax asset to be realized in the future could however be adjusted if objective negative evidence is no longer present.

Section 382 of the Internal Revenue Code provides an annual limitation on the amount of federal NOLs and tax credits that may be used in the event of an ownership change. The Company had a net operating loss carryforward totaling approximately \$286,760 at December 31, 2020 that was used to offset 2021 taxable income.

The Company classifies accrued interest and penalties, if any, for unrecognized tax benefits as part of income tax expense. The Company did not accrue any penalties or interest as of December 31, 2022 December 31, 2023 and 2021, 2022.

The provision (benefit) for income taxes for the years ended December 31 are as follows:

	2022	2021	2020	2023	2022	2021
2023						
Current	Current	\$ 209,563	\$ 238,928	\$ 174,362		
Deferred	Deferred	610,033	(2,895,571)	(1,230,924)		
Total	Total	\$ 819,596	\$(2,656,643)	\$(1,056,562)		
Total						
Total						

Note 16: Subsequent Events

On January 18, 2023, January 25, 2024 the Company signed entered into a non-binding letter securities purchase agreement (the "SPA") with an institutional investor, pursuant to which the Company agreed to sell and issue, in a registered direct offering, an aggregate of intent (i) 5,243,967 shares of the Company's common stock, at a purchase price of \$0.32 per share and accompanying warrant (the "Warrant") and (ii) 3,193,534 pre-funded warrants (the "Pre-funded Warrant(s)") to acquire purchase up to an East Coast based government contractor which focuses on cybersecurity, data analysis, aggregate of 3,193,534 shares of common stock at a purchase price of \$0.319 per Pre-funded Warrant and other IT services accompanying Warrant, for federal civilian agencies. aggregate gross proceeds to the Company of approximately \$2.7 million, before deducting the placement agent fees and estimated offering expenses payable by the Company (the "Registered Offering").

On January 23, 2023, the Company made a final payment of \$280,000 pursuant Pursuant to the terms of the LSG Business Acquisition Agreement, SPA, in a concurrent private placement (the "Private Placement" and together with the Registered Offering, the "Offering"), the Company also sold and issued to the Purchaser warrants (the "Warrants") to purchase up to 8,437,501 shares of common stock. The Warrants will become exercisable upon receipt of shareholder approval, expire five years from such approval, and have an exercise price of \$0.35 per share. The shares, the Pre-Funded Warrants, and the Pre-Funded Warrant Shares are being offered pursuant to a shelf registration statement on Form S-3 (File No. 333-275840), which was declared effective by the U.S. Securities and Exchange Commission (the "SEC") on December 12, 2023, and a related prospectus supplement dated January 25, 2024, related to the Registered Offering. The Offering closed on January 29, 2024.

Pursuant to a placement agency agreement dated as of January 25, 2024 (the "Placement Agency Agreement"), the Company engaged Maxim Group LLC ("Maxim") to act as the lead placement agent in connection with the Offering. At closing, the Company paid Maxim (i) a cash fee equal to 7.0% of the aggregate gross proceeds of the Offering and (ii) reimbursed Maxim for all reasonable and documented out-of-pocket expenses of \$60,000, which included the reasonable fees, costs, and disbursements of its legal counsel.

On February 13, 2023, February 13, 2024 the Company paid the outstanding principal and accrued interest owed on the 2023 Note Payable to Crom in the amount of \$847,000.

On February 16, 2024 the Company entered into a series letter agreement to (i) extend the maturity date from December 31, 2024 to August 1, 2025 on the note payable dated August 12, 2021 in the principal amount of transactions \$400,000 that was issued in connection with Crom Cortana Fund LLC ("Crom"), the primary purpose acquisition of which is to fund SSI and (ii) require monthly principal payments of \$50,000 per month for eight months commencing on the pending acquisition related to a non-binding letter maturity date. All other terms of intent signed on November 7, 2022. In connection therewith, the note payable remain unchanged.

On February 15, 2024 the Company entered into an agreement with the former shareholders of SSI concerning, among other things, the amount and Crom timing of the earnout payment owed under the terms of the agreement and plan of merger dated August 12, 2021 between the Company, SSI, and the other parties named therein. With respect to the earnout payment, the parties agreed to settle the amount for a total of \$720,000, with an initial payment of \$180,000 to be made by the Company at signing of the agreement, plus monthly payments thereafter of \$20,000 plus interest payable at 5% per annum for 27 months. As a result, \$380,000 is reflected in current liabilities and \$340,000 is reflected in non-current liabilities.

On February 22, 2024 the Company entered into a \$4,000,000 revolving credit facility with Live Oak Banking Company that bears interest at prime plus 2% interest which matures on February 22, 2025 (the "New Live Oak Revolver). The New Live Oak Revolver replaces the \$950,000 revolving credit facility dated April 4, 2022 with Live Oak Banking Company with a maturity date of March 28, 2029. The Company rolled over approximately \$625,000 of the principal balance outstanding on the prior revolving credit facility and made payments totaling \$1,209,617 to the holders of two notes payable referred to in the next two paragraphs.

On February 22, 2024 the Company entered into an agreement to extend the maturity date from September 30, 2024 to August 31, 2026 on the note payable dated November 21, 2019 in the principal amount of \$5,600,000 and the note payable dated February 28, 2022 in the principal amount \$400,000. Additionally, the per annum interest rate on the Eisiminger Notes was set at 7.5% through February 1, 2025, after which it increases to 8.0%. All other terms of the notes payable remain unchanged. The Company accessed funds available on the New Live Oak Revolver to pay off the outstanding principal and interest in full on the note payable dated April 6, 2023 in the principal amount currently of \$400,000.

The Company accessed funds available on the New Live Oak Revolver to pay \$809,617 owed to Crom The Buckhout Charitable Remainder Trust under the terms of the amended convertible promissory note in the original principal amount of \$1,050,000 due April 4, 2023 (the "2022 Note

Payable"). In consideration of a cash payment of \$300,000 and 556,250 shares of common stock representing conversion of the remaining principal balance the Company's obligations under the 2022 Note Payable are deemed satisfied reducing the balance to zero.

Simultaneously therewith, the parties entered into the Securities Purchase Agreement (the "2023 SPA") pursuant to which Crom purchased (a) a convertible promissory note payable in the principal amount of \$840,000 (the "2023 Note Payable"), \$3,209,617 which matures February 13, 2024 on September 30, 2024. Simultaneously therewith, the Company and bears The Buckhout Charitable Remainder Trust entered into a new note payable in the principal amount of \$2,400,000 which matures on August 31, 2026, and accrues interest at a per annum rate equal of 5% through January 1, 2025, 8% per annum through January 1, 2026, and 12% per annum thereafter. The principal amount shall be amortized at the rate of \$100,000 per month, commencing in September 2024. The terms of the new note payable to 10% The Buckhout Charitable Remainder Trust do not permit the principal amount to be paid monthly, and (b) a warrant pursuant to which Crom has converted into common stock.

On March 12, 2024, the right to purchase up to 700,000 shares Board of Directors approved the extension of the Company's common stock (the "2023 Warrant") at an exercise price of \$1.38 which expire 60 months from the date of issuance. The proceeds term of the 2023 Two Officers employment agreements until June 30, 2024. The employment agreements are described in Note Payable will be used primarily to fund a pending acquisition, as well as fund the debt repayment referred to in the foregoing paragraph. As a result of these transactions, the current Crom note payable of \$890,000, reported in current liabilities on the consolidated balance sheets as of December 31, 2022, will be reported in noncurrent liabilities in 2023. 14 Commitments.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as amended) as of December 31, 2022 December 31, 2023, the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective at the reasonable assurance level.

Remediation of Previously Identified Material Weakness in Internal Control Over Financial Reporting

We previously disclosed a material weakness in our internal control over financial reporting that existed as of December 31, 2021. We determined that we had a material weakness in our controls related to the review over complex accounting transactions. There were no misstatements as a result of this material weakness; however, it could have resulted in a misstatement of account balances or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

With the oversight of senior management, we implemented remediation steps in 2022 including:

- Hiring the CFO, the VP of Finance and Controller, and the Senior Director of Accounting, each having expertise in complex accounting transactions, extensive internal control experience, and substantial backgrounds in public accounting.

- Implementing a process whereby each complex accounting transaction is researched and reviewed along with timely involvement of management's specialists when necessary.

Management is satisfied that these remediation activities are sufficient to conclude that the material weakness identified during the year ended December 31, 2021 has been remediated as of December 31, 2022.

Changes in Internal Control Over Financial Reporting

Other than those to remediate the material weakness noted above, there were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual 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) and 15d-15(f) of the Exchange Act). The rules define internal control over financial reporting as a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting is subject to inherent limitations. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2022 December 31, 2023.

Attestation Report of the Registered Public Accounting Firm

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Pursuant to rules of the SEC that permit us to provide only our management's report in this annual report Annual Report on Form 10-K, an attestation report of our independent registered public accounting firm regarding internal control over financial reporting is not included in this Annual Report on Form 10-K.

Item 9B. Other Information

None. None of our directors or executive officers adopted or terminated a Rule 10b5-1 trading arrangement or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarter ending December 31, 2023.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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Part III

Certain information required in Part III is omitted from this report but is incorporated herein by reference from our Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders (as amended or supplemented, the **“2023** **2024** Proxy Statement”) to be filed with the Securities and Exchange Commission (the “SEC”). The **2023** **2024** Proxy Statement will be filed with the SEC within 120 days after the end of the fiscal year to which this report relates.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 of this Annual Report on Form 10-K is incorporated herein by reference to our **2023** **2024** Proxy Statement.

Item 11. Executive Compensation

The information required by this Item 11 of this Annual Report on Form 10-K is incorporated herein by reference to our **2023** **2024** Proxy Statement.

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

The information required by this Item 12 of this Annual Report on Form 10-K is incorporated herein by reference to our **2023** **2024** Proxy Statement.

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

The information required by this Item 13 of this Annual Report on Form 10-K is incorporated herein by reference to our **2023** **2024** Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 of this Annual Report on Form 10K is incorporated herein by reference to our **2023** **2024** Proxy Statement.

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Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Consolidated Financial Statements

The consolidated financial statements are filed as part of this Annual Report on Form 10-K under “Item 8. Financial Statements and Supplementary Data.”

(2) Financial Statement Schedules

The financial statement schedules are omitted because they are either not applicable or the information required is presented in the financial statements and notes thereto under “Item 8. Financial Statements and Supplementary Data.”

(3) Exhibits

The documents listed in the following Exhibit Index of this Annual Report on Form 10-K are incorporated herein by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K):

Exhibit Number	Incorporated by Reference				
	Form	File Number	Exhibit	Filing Date	
2.1	Stock Purchase Agreement dated May 6, 2019, by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all of the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.1	September 2, 2022
2.2	First Amendment to Stock Purchase Agreement dated June 2, 2019 by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.2	September 2, 2022
2.3	Second Amendment to Stock Purchase Agreement dated June 8, 2019, by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.3	September 2, 2022
2.4	Securities Purchase Agreement dated November 21, 2019, by and among BioNovelus, Inc., Corvus Consulting, LLC, and the Buckout Charitable Remainder Trust	S-1	333-267249	2.4	September 2, 2022
2.5	Agreement and Plan of Merger dated August 12, 2021, by and among Registrant, KC Holdings Company, Inc., Specialty Systems, Inc., and the Stockholders named herein	S-1	333-267249	2.5	September 2, 2022
3.1	Amended and Restated Articles of Incorporation of Registrant	S-1	333-267249	3.1	September 2, 2022
3.2	Amended and Restated Bylaws of Registrant	S-1/A	333-267249	3.2	October 4, 2022
3.3	Certificate of Amendment to the Amended and Restated Articles of Incorporation of Registrant	8-K	001-41526	3.1	October 18, 2022
4.1	Form of Warrant to Purchase Common Stock of Registrant	S-1	333-267249	4.1	September 2, 2022

Exhibit Number	Incorporated by Reference				
	Form	File Number	Exhibit	Filing Date	
2.1	Stock Purchase Agreement dated May 6, 2019, by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all of the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.1	September 2, 2022
2.2	First Amendment to Stock Purchase Agreement dated June 2, 2019 by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all the stockholders of Bayberry Acquisition Corp.	S-1	333-267249	2.2	September 2, 2022

2.3	<u>Second Amendment to Stock Purchase Agreement dated June 8, 2019, by and among BioNovelus, Inc., Bayberry Acquisition Corp., and all the stockholders of Bayberry Acquisition Corp.</u>	S-1	333-267249	2.3	September 2, 2022
2.4	<u>Securities Purchase Agreement dated November 21, 2019, by and among BioNovelus, Inc., Corvus Consulting, LLC, and the Buckhout Charitable Remainder Trust</u>	S-1	333-267249	2.4	September 2, 2022
2.5	<u>Agreement and Plan of Merger dated August 12, 2021, by and among Registrant, KC Holdings Company, Inc., Specialty Systems, Inc., and the Stockholders named herein</u>	S-1	333-267249	2.5	September 2, 2022
2.6	<u>Agreement and Plan of Merger dated as of March 22, 2023 by and among Castellum, Inc., GTMR Merger Sub., Inc., Global Technology and Management Resources, Inc. ("GTMR"), the stockholders of GTMR, and James Morton, as the representative of the stockholders</u>	8-K	001-41526	2.1	March 28, 2023
3.1	<u>Amended and Restated Articles of Incorporation of Registrant</u>	S-1	333-267249	3.1	September 2, 2022
3.2	<u>Amended and Restated Bylaws of Registrant</u>	S-1/A	333-267249	3.2	October 4, 2022
3.3	<u>Certificate of Amendment to the Amended and Restated Articles of Incorporation of Registrant</u>	8-K	001-41526	3.1	October 18, 2022
3.4	<u>Certificate of Amendment to the Amended and Restated Articles of Incorporation of Registrant</u>	8-K	001-41526	3.1	April 6, 2023
4.1	<u>Form of Warrant to Purchase Common Stock of Registrant</u>	S-1	333-267249	4.1	September 2, 2022

4.2	4.2 Amended S-1 333-267249 4.2 September 2, 2022	4.2 <u>Amended Convertible Promissory Note Re-Issued as of February 1, 2021, by Corvus Consulting, LLC and Registrant to the Buckhout Charitable Remainder Trust</u>	S-1	333-267249	4.2 September 2, 2022
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4.3 4.3 Convertible S- 333- 4.3 September
Promissory 1 267249 2, 2022
Note Issued
as of April
4, 2022 by
Registrant
to Crom
Cortana
Fund LLC

4.3						
4.3						
4.4						
4.4						
4.4 <u>4.4 Common S- 333- 4.4 September</u> <u>Stock 1 267249 2, 2022</u> <u>Purchase</u> <u>Warrant</u> <u>dated April</u> <u>4, 2022, by</u> <u>and</u> <u>between</u> <u>Registrant</u> <u>and Crom</u> <u>Cortana</u> <u>Fund LLC</u>			<u>Convertible Promissory Note Issued as of April 4, 2022 by Registrant to Crom Cortana Fund LLC</u>	S- 1	333- 267249	4.3 September 2, 2022
4.5 <u>4.5 Common 8- 001- 4.1 February</u> <u>Stock K 41526 16, 2023</u> <u>Purchase</u> <u>Warrant</u> <u>dated</u> <u>February</u> <u>13, 2023 by</u> <u>and</u> <u>between</u> <u>Registrant</u> <u>and Crom</u> <u>Cortana</u> <u>Fund LLC</u>	4.5		<u>Common Stock Purchase Warrant dated February 13, 2023 by and between Registrant and Crom Cortana Fund LLC</u>	8- K	001-41526	4.1 February 16, 2023

4.6 Convertible 8- 001- 10.1 February
Promissory K 41526 16, 2023
Note dated
February
13, 2023 by
and
between
Registrant
and Crom
Cortana
Fund LLC

10.1 Amended S- 333- 10.1 September
and 1 267249 2, 2022
Restated
Promissory
Note Issued
on August
10, 2021 by
Corvus
Consulting,
LLC and
BioNovelus,
Inc. to
Robert
Eisiminger

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4.6	4.6 <u>Convertible Promissory Note dated</u> <u>February 13, 2023 by and between</u> <u>Registrant and Crom Cortana Fund LLC in</u> <u>the principal amount of \$840,000</u>	S- 333- 4.2 December	3 275840 1, 2023
10.1			
10.1			
10.1	<u>Amended and Restated Promissory Note</u> <u>Issued on August 10, 2021 by Corvus</u> <u>Consulting, LLC and BioNovelus, Inc. to</u> <u>Robert Eisiminger</u>	S- 333- 10.1 September	1 267249 2, 2022
10.2			
10.2			

10.2	10.2	Term Loan S- 333- 10.2 September Promissory Note issued on August 11, 2021 by and between Registrant, Specialty Systems, Inc., Corvus Consulting, LLC, Mainnerve Federal Services, Inc., Merrison Technologies, LLC, and Live Oak Banking Company	S- 1	333- 267249	10.2	September 2, 2022
10.3	10.3	Term Loan S- 333- 10.3 September and Security Agreement dated August 11, 2021, by and between Registrant, Specialty Systems, Inc., Corvus Consulting, LLC, Mainnerve Federal Services, Inc., Merrison Technologies, LLC and Live Oak Banking Company				
10.3	10.3	Term Loan and Security Agreement dated August 11, 2021, by and between Registrant, Specialty Systems, Inc., Corvus Consulting, LLC, Mainnerve Federal Services, Inc., Merrison Technologies, LLC and Live Oak Banking Company	S- 1	333- 267249	10.3	September 2, 2022
10.4						

10.4	<u>10.4</u> <u>Promissory Note issued on August 12, 2021 by Specialty Systems, Inc. to Emil Kaunitz</u>	S-1	333-267249	10.4	September 2, 2022
10.5	<u>10.5</u> <u>Promissory Note issued on February 28, 2022 by Corvus Consulting, LLC and Registrant to Robert Eisiminger</u>				
10.5		<u>Promissory Note issued on February 28, 2022 by Corvus Consulting, LLC and Registrant to Robert Eisiminger</u>	S-1	333-267249	10.5 September 2, 2022
10.6					
10.6	<u>10.6</u> <u>Revolving Line of Credit Promissory Note Issued on March 28, 2022 by Registrant, Specialty Systems, Inc., Corvus Consulting, LLC, Mainnerv Federal Services, Inc., Merrison Technologies, LLC to Live Oak Banking Company.</u>	S-1	333-267249	10.6	September 2, 2022

10.7 [10.7](#) [Loan and Security Agreement dated March 28, 2022, by and between Registrant, Specialty Systems, Inc., Corvus Consulting, LLC, Mainnerve Federal Services, Inc., Merrison Technologies, LLC and Live Oak Banking Company.](#) S- 333- 10.7 September 2, 2022

10.7 [10.7](#) [Loan and Security Agreement dated March 28, 2022, by and between Registrant, Specialty Systems, Inc., Corvus Consulting, LLC, Mainnerve Federal Services, Inc., Merrison Technologies, LLC and Live Oak Banking Company.](#) S- 333- 10.7 September 2, 2022

10.8 [10.8](#) [Business Acquisition Agreement dated February 11, 2022, by and between Registrant and Lexington Solutions Group, LLC](#) S- 333- 10.8 September 2, 2022

10.9+ [10.9+](#) [Registrant's Stock Incentive Plan](#) S- 333- 10.9 September 2, 2022

10.9+

10.9+	Registrant's Stock Incentive Plan	S-1	333-267249	10.9	September 2, 2022
10.10+					
10.10+					
10.10+ 10.10+ Form of S-333-10.10 September Stock Option 1 267249 2, 2022 Agreement	Form of Stock Option Agreement	S-1	333-267249	10.10	September 2, 2022
10.11+ 10.11+ Employment Agreement 1 267249 2, 2022 dated April 1, 2020, by and between Registrant and Mark Fuller					
10.11+					
10.11+ Employment Agreement dated April 1, 2020, by and between Registrant and Mark Fuller		S-1	333-267249	10.11	September 2, 2022
10.12+					
10.12+ 10.12+ Employment Agreement 1 267249 2, 2022 dated April 1, 2020, by and between Registrant and Jay Wright	Employment Agreement dated April 1, 2020, by and between Registrant and Jay Wright	S-1	333-267249	10.12	September 2, 2022
10.13+ 10.13+ Employment Agreement 1 267249 2, 2022 dated April 1, 2020, by and between Registrant and Glen Ives					
10.13+					
10.13+ Employment Agreement dated April 1, 2020, by and between Registrant and Glen Ives		S-1	333-267249	10.13	September 2, 2022

10.14+	<u>Employment Agreement</u> S-1 dated April 25, 2022, by and between Registrant and David T. Bell	<u>333-267249</u>	<u>10.14</u>	<u>September 2, 2022</u>
10.15+	<u>Employment Agreement</u> Q-41526 dated as of November 21, 2019 between Corvus Consulting, LLC and Laurie Buckhout	<u>333-267249</u>	<u>10.23</u>	<u>November 14, 2022</u>
10.16	<u>Lease Agreement</u> dated January 11, 2018, between LTD Realty investment, IV, LP, and Specialty Systems, Inc.	<u>S-1</u>	<u>333-267249</u>	<u>10.15</u>
10.17	<u>Form of Director Agreement</u>	<u>S-1</u>	<u>333-267249</u>	<u>10.16</u>
10.18++	<u>Labor Hour Subcontract Agreement</u> between Corvus Consulting, LLC and CACI, Inc. - Federal	<u>S-1</u>	<u>333-267249</u>	<u>10.17</u>
				<u>September 2, 2022</u>

10.19++	<u>Modification</u> dated April 8, 2022 to Purchase Order No. P000096970 between Corvus Consulting, LLC and CACI, Inc.- Federal	<u>S-1</u>	<u>333-267249</u>	<u>10.18</u>	<u>September 2, 2022</u>
10.20++	<u>Contract</u> No. N00178-14D-7931 effective February 14, 2019 between Specialty Systems, Inc. and NAVAIR Aircraft Division Lakehurst	<u>S-1</u>	<u>333-267249</u>	<u>10.19</u>	<u>September 2, 2022</u>
10.21++	<u>Modification</u> No. 1 of Contract No. N6833521C0843 effective November 2, 2021 between Specialty Systems, Inc. and NAVAIR Aircraft Division Lakehurst	<u>S-1</u>	<u>333-267249</u>	<u>10.20</u>	<u>September 2, 2022</u>
10.22++	<u>Time and Material Subcontract</u> Number PO-0018098 dated June 3, 2019 between Persecta Engineering, Inc. and Corvus Consulting, LLC	<u>S-1</u>	<u>333-267249</u>	<u>10.21</u>	<u>September 2, 2022</u>

10.23++	Modification 13 to Time and Material Subcontract Number PO-0018098 dated May 31, 2022 between Perspecta Engineering, Inc. and Corvus Consulting, Inc.	S-1	333-267249	10.22	September 2, 2022
10.24	Convertible Promissory Note dated February 13, 2023 by and between Registrant and Crom Cortana Fund LLC	8-K	001-41526	10.1	February 16, 2023
10.25	Pay-Off Letter Agreement by and between Registrant and Crom Cortana Fund LLC dated February 13, 2023	8-K	001-41526	10.2	February 16, 2023
14.1	Code of Ethics and Business Conduct	S-1	333-267249	14.1	September 2, 2022
21.1	List of Subsidiaries	S-1	333-267249	21.1	September 2, 2022
24.1*	Power of Attorney (set forth on the signature page to this Annual Report on Form 10-K)				
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13(a)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13(a)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				

10.14+	Employment Agreement dated April 25, 2022, by and between Registrant and David T. Bell	S-1	333-267249	10.14	September 2, 2022
10.15+	Employment Agreement dated as of November 21, 2019 between Corvus Consulting, LLC and Laurie Buckhout	10-Q	001-41526	10.23	November 14, 2022
10.16	Lease Agreement dated January 11, 2018, between LTD Realty, investment, IV, LP, and Specialty Systems, Inc.	S-1	333-267249	10.15	September 2, 2022
10.17	Form of Director Agreement	S-1	333-267249	10.16	September 2, 2022
10.18++	Labor Hour Subcontract Agreement between Corvus Consulting, LLC and CACI, Inc. - Federal	S-1	333-267249	10.17	September 2, 2022

10.19++	<u>Modification dated April 8, 2022 to Purchase Order No. P000096970 between Corvus Consulting, LLC and CACI, Inc.-Federal</u>	S-1	333-267249	10.18	September 2, 2022
10.20++	<u>Contract No. N00178-14D-7931 effective February 14, 2019 between Specialty Systems, Inc. and NAVAIR Aircraft Division Lakehurst</u>	S-1	333-267249	10.19	September 2, 2022
10.21++	<u>Modification No. 1 of Contract No. N6833521C0843 effective November 2, 2021 between Specialty Systems, Inc. and NAVAIR Aircraft Division Lakehurst</u>	S-1	333-267249	10.20	September 2, 2022
10.22++	<u>Time and Material Subcontract Number PO-0018098 dated June 3, 2019 between Perpsecta Engineering, Inc. and Corvus Consulting, LLC</u>	S-1	333-267249	10.21	September 2, 2022
10.23++	<u>Modification 13 to Time and Material Subcontract Number PO-0018098 dated May 31, 2022 between Perspecta Engineering, Inc. and Corvus Consulting, Inc.</u>	S-1	333-267249	10.22	September 2, 2022
10.24	<u>Pay-Off Letter Agreement by and between Registrant and Crom Cortana Fund LLC dated February 13, 2023</u>	8-K	001-41526	10.2	February 16, 2023
10.25+	<u>Employment Agreement executed on March 22, 2023 by and between James Morton and Castellum, Inc.</u>	8-K	001-41526	10.1	March 28, 2023
10.26+	<u>Form of Restrictive Covenant Agreement, by and among _____, individually, in favor of and for the benefit of Global Technology and Management Resources, Inc. and Castellum, Inc.</u>	8-K	001-41526	10.2	March 28, 2023
14.1	<u>Code of Ethics and Business Conduct</u>	S-1	333-267249	14.1	September 2, 2022
19.1*	<u>Insider Trading Policy</u>				
21.1*	<u>List of Subsidiaries</u>				
23.1*	<u>Consent of Independent Registered Public Accounting Firm</u>				
24.1*	<u>Power of Attorney (set forth on the signature page to this Annual Report on Form 10-K)</u>				
31.1*	<u>Certification of Principal Executive Officer pursuant to Exchange Act Rules 13(a)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>				

31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13(a)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1*	Compensation Clawback Policy
101	The following financial information from Castellum, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Changes in Stockholders' Equity, and (v) Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File - (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

- # The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the SEC and not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.
- + Management contract or compensatory plan.
- ++ Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K because such information is (i) not material and (ii) the type of information the Company treats as confidential. The Company will furnish supplementally an unredacted copy of such exhibit to the Securities and Exchange Commission or its staff upon its request.

(b) Financial statement schedules.

All schedules have been omitted because either they are not required, are not applicable or the information is otherwise set forth in the financial statements and related notes thereto.

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 Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

CASTELLUM, INC.

By: */s/ Mark C. Fuller*

Date: **March 17, 2023** **March 21, 2024**

Mark C. Fuller

Chief Executive Officer
(Principal Executive Officer)

Date: **March 17, 2023** **March 21, 2024**

By: */s/ David T. Bell*

David T. Bell

Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

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POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Mark C. Fuller and David T. Bell, and each or any one of them, his or her lawful attorneys-in-fact and agents, for such person 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, hereby ratifying and confirming all that either of said attorney-in-fact and agent, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities 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:

Signature	Title	Date
/s/ Jay O. Wright _____ Jay O. Wright	General Counsel, Director	March 21, 2024
/s/ Mark S. Alarie _____ Mark S. Alarie	Director	March 21, 2024
/s/ Bernard S. Champoux _____ Bernard S. Champoux	Chair, Director	March 21, 2024
/s/ John F. Campbell _____ John F. Campbell	Director	March 21, 2024
/s/ Patricia Frost _____ Patricia Frost	Director	March 21, 2024
/s/ C. Thomas McMillen _____ C. Thomas McMillen	Director	March 21, 2024

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Castellum, Inc.

Insider Trading Policy

Revised and adopted by the Board of Directors on November 9, 2023

I. Purpose

Castellum, Inc. (the "Company") has adopted this Insider Trading Policy (this "Policy") to help its directors, officers, and employees comply with the insider trading laws and to prevent even the appearance of improper insider trading.

II. Scope

A. This Policy applies to all directors, officers, and employees of the Company, as well as their respective family members and others in their households (collectively referred to as "Insiders"), and any other individual the Compliance Officer, as defined below, may designate as Insiders because they have access to material nonpublic information concerning the Company.

B. Except as set forth explicitly below, this Policy applies to any and all transactions in the Company's securities, including transactions in common stock, options, preferred stock, restricted stock, restricted stock units, and any other type of securities that the Company may issue. This Policy applies to such securities regardless of whether they are held in a brokerage account, a 401(k) or similar account, through an employee stock purchase plan or otherwise.

III. Specific Guidance

A. Generally Prohibited Activities. The prohibitions below apply to actions an Insider may take directly or indirectly through family members or other persons or entities.

1. Trading in Company Securities.

a. No Insider may buy, sell, or otherwise transact in (including gifting of) Company securities while aware of material nonpublic information concerning the Company.

b. No Insider may buy, sell, or otherwise trade in Company securities during any special trading blackout period applicable to such Insider as designated by the Compliance Officer.

2. Tipping.

Providing material nonpublic information to another person who may trade or advise others to trade on the basis of that information is known as "tipping" and is illegal. Therefore, no Insider may "tip" or provide material nonpublic information concerning the Company, unless required as part of that Insider's regular duties for the Company and authorized by the Compliance Officer.

3. Giving Trading Advice.

No Insider may give trading advice of any kind about the Company to anyone, whether or not such an Insider is aware of material nonpublic information about the Company, except that Insiders should advise other Insiders not to trade if such trading might violate the law or this Policy.

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4. Engaging in Short Sales.

No Insider may engage in short sales of Company securities. A short sale is the sale of a security that the seller does not own at the time of the trade.

5. Engaging in Derivative Transactions.

No Insider may engage in transactions in puts, calls, or other derivative instruments that relate to or involve Company securities. Such transactions are, in effect, bets on short term movements in the Company's stock price and therefore create the appearance that the transaction is based on nonpublic information.

6. Hedging.

No Insider may engage in hedging transactions involving Company securities, including forward sale or purchase contracts, equity swaps, collars, or exchange funds. Such transactions are speculative in nature and therefore create the appearance that the transaction is based on nonpublic information.

7. Trading on Margin or Pledging.

No Insider may hold Company securities in a margin account or pledge (or hypothecate) Company securities as collateral for a loan. Margin sales or foreclosure sales may occur at a time when the Insider is aware of material nonpublic information or otherwise is not permitted to trade in Company securities.

8. Trading in Securities of Other Companies.

No Insider may, while in possession of material nonpublic information about any other public company gained in the course of employment with the Company, (a) trade in securities of the other public company, (b) "tip" or disclose such material nonpublic information concerning that company to anyone, or (c) give trading advice of any kind to anyone concerning the other public company.

B. Additional Restrictions Applicable to Section 16 Individuals and Key Employees.

1. No Section 16 Individual or Key Employee (each as defined below) may trade in Company securities outside of the Company trading window described in Section V.B. below.

2. No Section 16 Individual may trade in Company securities unless the trade(s) have been approved by the Compliance Officer in accordance with the procedures set forth in Section V.C.1. below.

C. Exceptions.

The prohibited activities do not apply to:

1. Exercises of stock options or similar equity awards or the surrender of shares to the Company in payment of the stock option exercise price or in satisfaction of any withholding obligations, provided that any securities acquired pursuant to such exercise may not be sold, including as part of a broker-assisted cashless exercise, while the Insider is in possession of material nonpublic information or subject

to a special trading blackout or, with respect to Section 16 Individuals and Key Employees, while the Company's trading window is closed.

2. The vesting of restricted stock, or the exercise of a tax withhold right pursuant to which an Insider elects to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock, provided that any securities acquired pursuant to such vesting may not be sold while the Insider is in possession of material nonpublic information or subject to a special trading blackout or, with respect to Section 16 Individuals and Key Employees, while the Company's trading window is closed.

3. Acquisitions or dispositions of Company securities under any individual account that are made pursuant to standing instructions entered into while the Insider is not in possession of material nonpublic information or otherwise subject to a special trading blackout and, with respect to Section 16 Individuals and Key Employees, while the Company's trading window is open.

4. Other purchases of securities from the Company or sales of securities to the Company that do not involve a market transaction.

5. Purchases or sales made pursuant to a Rule 10b5-1 plan that is adopted and operated in compliance with the terms of this Policy (see Section VII).

IV. Determining whether information is material and nonpublic.

A. Definition of "Material" Information.

1. There is no bright line test for determining whether particular information is material. Such a determination depends on the facts and circumstances unique to each situation and cannot be made solely on the potential financial impact of the information.

2. In general, information about the Company should be considered "Material" if:

- A reasonable investor would consider the information significant when deciding whether to buy or sell Company securities; or
- The information, if disclosed, could be viewed by a reasonable investor as having significantly altered the total mix of information available in the marketplace about the Company.
- Put simply, if the information could reasonably be expected to affect the price of the Company's stock, it should be considered material.

3. It is important to remember that whether information is material will be viewed by enforcement authorities with the benefit of hindsight. In other words, if the price of the Company's stock changed as a result of the information having been made public, it will likely be considered material by enforcement authorities.

4. While it is not possible to identify every type of information that could be deemed "Material," the following matters ordinarily should be considered material:

- Projections of future earnings or losses, or other earnings guidance, or changes in projections or guidance.

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- Financial performance, especially quarterly and year-end earnings or significant changes in financial performance or liquidity.
- Potential significant mergers and acquisitions or the sale of significant assets or subsidiaries.
- New major contracts, orders, suppliers, customers, or finance sources, or the loss thereof.
- Major discoveries or significant changes or developments in products, services, research, or technologies.
- Stock splits, public or private securities/debt offerings, or changes in dividend policies or amounts.
- Significant changes in senior management.
- Actual or threatened major litigation, or the resolution of such litigation.
- The contents of forthcoming publications that may affect the market price of the Company securities.
- Significant breaches of information technology systems or other events impacting cybersecurity.

B. Definition of "Nonpublic" Information.

Information is "nonpublic" if it has not been disseminated to investors through a widely circulated new or wire service (such as Dow Jones, Bloomberg, PR Newswire, etc.) or through a public filing with the Securities and Exchange Commission (the "SEC"). For the purposes of this Policy, information will be not considered public until after the close of trading on the first full trading day following the Company's widespread public release of the information.

C. Consult the Compliance Officer for Guidance.

Any Insider who is unsure whether the information that he or she possesses is material or nonpublic should consult the Compliance Officer for guidance before trading in any Company securities.

V. Additional provisions for Section 16 Individuals and Key Employees

A. Definitions of Section 16 Individuals and Key Employees.

1. "Section 16 Individual" – Each member of the Company's Board of Directors ("Board"), those officers of the Company designated by the Board as "Section 16 Officers" of the Company, and their respective family members and others in their households.

2. "Key Employees" – the following individuals are Key Employees because of their position with the Company and their possible access to material nonpublic information:

- Active employees of the Company who have met or currently meet the eligibility requirements to receive annual stock option and/or restricted stock unit awards from the Compensation, Culture, and People Committee of the Board (the "Committee"); and
- Any other individual designated from time to time by the Compliance Officer, the Board, or the Committee as a Key Employee.
- Employees and other individuals who are recipients of stock options and/or restricted stock unit awards from the Committee that are broad-based or special awards from the Chief Executive Officer or other authorized officer under a pool of stock options or restricted stock units

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established by the Committee shall not be considered Key Employees unless they also meet one or more of the conditions set forth in the preceding two bullets.

B. The Trading Window.

1. Trading Only While Trading Window is Open. Section 16 Individuals and Key Employees may buy, sell, or trade in Company securities only while the Company's trading window is open. In general, the Company's trading window opens after the close of trading on the second full trading day following the Company's public announcement of the previous quarter's earnings and ends on the last trading day of the second week prior to the end of the next fiscal quarter.

2. No Trading While Aware of Material Nonpublic Information. Notwithstanding the provisions of the immediately preceding section, any Section 16 Individual or Key Employee who is in possession of material nonpublic information regarding the Company may not trade in Company securities during an open trading window until the close of trading on the first full trading day following the Company's widespread public release of such information.

3. Exceptions for Hardship Cases. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows (but not during special trading blackout periods) due to financial hardship or other hardships but only in accordance with the procedures set forth in Section V.C.2. below.

C. Procedures for Approving Trades by Section 16 Individuals and Hardship Cases.

1. Section 16 Individual Trades. No Section 16 Individual may trade in Company securities until:

a. the individual has notified the Compliance Officer in writing, at least three business days prior to the proposed trade(s), of the amount and nature of the proposed trade(s), and

b. the individual has certified to the Compliance Officer in writing, no more than three business days prior to the proposed trade(s), that he or she is not aware of material nonpublic information regarding the Company.

The notice and certification required by this Section V.C.1. shall be given using the form attached hereto as Exhibit A. Beginning on the day that is the fourth business day following the date of such notice, and for four additional business days thereafter, provided that the facts referred to in Section V.C.1.b. remain correct, the Section 16 Individual may execute the trade set forth in such notice. Once the approval period identified in the notice has expired, a new notice and certification pursuant to this Section V.C.1. must be given in order for the Section 16 Individual to trade in Company securities.

2. Hardship Trades. The Compliance Officer may, on a case-by-case basis, authorize trading in Company securities outside of an applicable trading window due to financial hardship or other hardships only after:

a. the person trading has notified the Compliance Officer in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s), and

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b. the person trading has certified to the Compliance Officer in writing no earlier than two business days prior to the proposed trade(s) that he or she is not aware of material nonpublic information concerning the Company.

3. Compliance Officer Trades. If the Compliance Officer desires to complete any trades involving Company securities, he or she must first obtain the approval of the Chief Executive Officer or the Chief Financial Officer of the Company.

4. No Obligation to Approve Trades. The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer (or, in the case of any trade by the Compliance Officer, the Chief Executive Officer or the Chief Financial Officer of the Company) to approve any trades requested by Section 16 Individuals, hardship applicants, or the Compliance Officer.

VI. Compliance Officer.

The Company has designated its General Counsel as the individual responsible for administration of this Policy (the "Compliance Officer"). The duties of the Compliance Officer include the following:

- A. Administering the Policy and monitoring and enforcing compliance with all Policy provisions and procedures.
- B. Responding to all inquiries relating to this Policy.
- C. Reviewing and either approving or denying all proposed trades by Section 16 Individuals in accordance with the procedures set forth in Section V.C.1. above.
- D. After discussing with the Chief Financial Officer and Chairman of the Audit Committee, designating and announcing special trading blackout periods during which certain Insiders may not trade in Company securities.
- E. Providing copies of this Policy and other appropriate materials to all new Insiders.
- F. Administering, monitoring, and enforcing compliance with all federal and state insider trading laws and regulations.
- G. Assisting in the preparation and filing of all required SEC reports relating to insider trading in Company securities.
- H. Revising the Policy as necessary to reflect changes in federal or state insider trading laws and regulations, or as otherwise deemed necessary or appropriate.
- I. The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties in the event that the Compliance Officer is unable or unavailable to perform such duties.

VII. Rule 10b-5-1 Trading Plans.

A. General Information.

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Under Rule 10b5-1 of the Securities Exchange Act of 1934, an individual has an affirmative defense against an allegation of insider trading if he or she demonstrates that the purchase, sale, or trade in question took place pursuant to a binding contract, specific instruction, or written plan that was put into place before he or she became aware of material nonpublic information. Such contracts, irrevocable instructions, and plans are commonly referred to as Rule 10b5-1 plans ("Trading Plan(s)").

Trading Plans have the obvious advantage of protecting against insider trading liability. However, they also require advance commitments regarding the amounts, prices, and timing of purchases or sales of Company securities and this limits flexibility and discretion. In addition, once a Trading Plan has been adopted, it is generally not permissible to amend or modify it. Accordingly, while some individuals may find Trading Plans attractive, they may not be suitable for all Insiders.

B. Specific Requirements.

1. Pre-Approval. For a Trading Plan to serve as an adequate defense against an allegation of insider trading, a number of legal requirements must be satisfied. Accordingly, anyone wishing to establish a Trading Plan must first submit the

proposed plan to be adopted to the Compliance Officer and receive approval from the Compliance Officer or his or her designee. Section 16 Individuals or Key Employee wanting to establish a Trading Plan must also satisfy the notification and certification requirements set forth in section V.C.1. above., as well as providing a written certification at the time of the adoption of the Trading Plan or modified Trading Plan that (a) he or she is not aware of any material nonpublic information about the Company or its securities, and (b) he or she is adopting the plan in good faith and not as a part of a plan or scheme to evade the prohibitions of Rule 10b-5.

2. Material Nonpublic Information, Special Blackouts and Trading Plan Adopted in Good Faith. An individual desiring to enter into a Trading Plan must (a) enter into the Trading Plan at a time when he or she is not aware of any material nonpublic information about the Company, (b) not otherwise be subject to a special trading blackout, and (c) adopt the plan in good faith and not as a part of a plan or scheme to evade the prohibitions of Rule 10b-5.

3. Trading Window. Section 16 Individuals and Key Employees may only establish a Trading Plan when the Company's trading window is open.

4. Waiting Period. To avoid even the appearance of impropriety, trades under a Trading Plan cannot begin until the later of (a) 90 days after the adoption or modification of the Trading Plan or (b) two business days after the Company files a quarterly or annual financial report with the SEC covering the quarter in which the Trading Plan was adopted or modified, but no later than 120 days after the Trading Plan is established. The waiting period does not begin until the Compliance Officer or his designee has provided the approval required in VII.B.1.

5. Trading Plan Limitations. Section 16 Individuals and Key Employees will generally be permitted to have only one Trading Plan covering the same time period for open market purchases or sales; provided, however, the Compliance Officer may permit Section 16 Individuals and Key Employees to have two separate Trading Plans if (a) trading under one plan does not commence until all trades under the other have been completed or (b) the second Trading Plan is established to cover sales needed to satisfy tax withholding obligations triggered by the vesting of equity compensation granted to

the Section 16 Individual or Key Employee. Section 16 Individuals and Key Employees will be prohibited from establishing more than one Trading Plan in any twelve month period which facilitates a single-trade (a "Single Trade Plan"); provided, however, the Compliance Officer may permit a second Single Trade Plan if it is established to cover sales needed to satisfy tax withholding obligations triggered by the vesting of equity compensation granted to the Section 16 Individual or Key Employee.

VIII. Post-Termination Transactions.

This Policy continues to apply to transactions in the Company's securities after termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, or if the Company's trading window is closed at the time of termination, that individual may not trade in the Company's securities until any such material nonpublic information has become public or is no longer material and/or the Company's trading window has

opened. The pre-clearance procedures specified in Section V.C.1. above, however, will cease to apply to transactions in the Company's securities upon the opening of the Company's trading window and/or expiration of any special trading blackout period, at which point the provisions set forth in Section V.B.1. above shall no longer apply.

IX. Potential Penalties and Disciplinary Sanctions.

A. Civil and Criminal Penalties. The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading, pay the loss suffered by the person who purchased securities from or sold securities to the Insider or tippee, pay significant civil and/or criminal penalties, and serve a lengthy jail term. The Company in such circumstances may also be required to major civil or criminal penalties.

B. Company Discipline. Violation of this Policy or federal or state insider trading or tipping laws by any Insider may, in the case of a director, subject the director to dismissal proceedings, and in the case of an officer or employee, subject the officer or employee to disciplinary action by the Company up to and including termination for cause.

C. Reporting of Violations. Any Insider who violates this Policy or any federal or state law governing insider trading or tipping, or knows of any such violation by any other Insider, must report the violation immediately to the Compliance Officer. Upon determining that any such violation has occurred, the Compliance Officer, in consultation with the Chair of the Company's Audit Committee of the Board, will determine whether the Company should release any material nonpublic information, and when required by applicable law, shall cause the Company to report the violation to the SEC or other appropriate governmental authority.

X. Miscellaneous.

This Policy will be delivered to all directors, officers, employees, and designated outsiders upon its adoption by the Board of Directors of the Company and to all new directors, officers, employees, and designated outsiders at the start of their employment or relationship with the Company. Upon first receiving a copy of this Policy or revised versions, each Section 16 Individual and Key Employee must

sign an acknowledgement that he or she has received a copy of this Policy and agrees to comply with its terms.

Receipt and Acknowledgement

Upon first receiving a copy of the Castellum, Inc. Insider Trading Policy or any revised version thereof, each member of the Board of Directors, each officer designated under the Policy as a "Section 16 Individual" and each individual meeting the definition of "Key Employee" must sign and return to the office of the General Counsel the following receipt and acknowledgement.

I, _____, hereby acknowledge that I have received and read a copy of the Castellum, Inc. Insider Trading Policy and agree to comply with its terms. I understand the violation of insider trading or tipping laws and regulations may subject me to severe civil and/or criminal penalties, and that violation of the terms of the Castellum, Inc. Insider Trading Policy may subject me to discipline by the Company up to and including termination for cause.

Signature/Date

Printed Name

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Exhibit A

Castellum, Inc.

Insider Trading Policy

Notice and Certification for Section 16 Individuals

To the Compliance Officer:

I hereby notify you of my intent to trade in securities of Castellum, Inc (the 'Company'). The amount and nature of the proposed trade is as follows:

____ Exercise _____ non-qualified stock options granted under the Castellum, Inc. 2021 Stock Incentive Plan on _____;

Sell in the open market _____ shares of the Company's common stock currently held at _____ (example: Name of brokerage firm, or in certificated form);

Purchase in the open market _____ shares of the Company's common stock;

Gift shares of Company's common stock to _____.

Adopt a Trading Plan to sell _____ shares of the Company's common stock on _____.

Other (explain)

I understand that I am not authorized to trade in Company securities or adopt a Trading Plan in reliance upon this Notice and Certification until the date upon which this Notice and Certification is approved by the Compliance Officer or his/her designee, and that such authorization will continue until _____ (insert the date that is five business days after the date hereof.) I understand that if I have not completed my proposed trade or adopted my Trading Plan by the last date of the authorization set forth in the immediately preceding sentence, I must submit a new Notice and Certification in order to trade in Company securities or adopt a plan.

I hereby certify that I am not aware of material nonpublic information concerning the Company.

If I am adopting a Trading Plan, I further certify that I am not otherwise subject to a special trading blackout, and this Trading Plan is be adopted in good faith and not as a part of a plan or scheme to evade the prohibitions of Rule 10b-5.

Signature/Date

Printed Name

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List of Subsidiaries

Castellum, Inc.

<u>Signature</u>	<u>Subsidiary Name</u>	<u>State of Organization</u>	<u>Title</u>	<u>Date</u>	<u>Percentage Owner</u>
	Corvus Consulting, LLC (Corvus)	Delaware			100%
/s/ Jay O. Wright	Mainnerv Federal Services, Inc. (MFSI)	Delaware	General Counsel, Director	March 17, 2023	100%
Jay O. Wright	Specialty Systems, Inc. (SSI)	New Jersey			100%
Global Technology and Management Resources, Inc. (GTMR)		Maryland			100%
/s/ Mark S. Alarie			Director	March 17, 2023	
	Mark S. Alarie				
/s/ Bernard S. Champoux			Chair, Director	March 17, 2023	
	Bernard S. Champoux				
/s/ Laurie Buckhout			Director	March 17, 2023	
	Laurie Buckhout				
/s/ John F. Campbell			Director	March 17, 2023	
	John F. Campbell				
/s/ Patricia Frost			Director	March 17, 2023	
	Patricia Frost				
/s/ Emil Kaunitz			Director	March 17, 2023	
	Emil Kaunitz				
/s/ C. Thomas McMillen			Director	March 17, 2023	
	C. Thomas McMillen				

EXHIBIT 23.1**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement No.333-275840 on Form S-3 of Castellum, Inc. of our report dated March 21, 2024, relating to the consolidated financial statements of Castellum, Inc., appearing in this Annual Report on Form 10-K of Castellum, Inc. for the year ended December 31, 2023.

/s/ RSM US LLP

McLean, Virginia
March 21, 2024

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Mark C. Fuller, Chief Executive Officer of Castellum, Inc. (the "Company"), certify that:

- (1) I have reviewed this Annual Report on Form 10-K for the fiscal period ended **December 31, 2022** **December 31, 2023**;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods represented in this report;
- (4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- (5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the audit committee of the board of directors (or persons fulfilling the equivalent function):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

March 17, 2023 21, 2024

/s/ Mark C. Fuller

Mark C. Fuller

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, David T. Bell, Chief Financial Officer of Castellum, Inc. (the "Company"), certify that:

- (1) I have reviewed this Annual Report on Form 10-K for the fiscal period ended December 31, 2022 December 31, 2023;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in the report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods represented in this report;
- (4) The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and

15d-15(f) for the Company and have:

- (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the report is being prepared;
- (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

(5) The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the audit committee of the board of directors (or persons fulfilling the equivalent function):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

March 17, 2023 21, 2024

/s/ David T. Bell

David T. Bell

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Castellum, Inc. (the "Company") for the period ended **December 31, 2022** **December 31, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Mark C. Fuller, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March **17, 2023** **21, 2024**

/s/ Mark C. Fuller

Mark C. Fuller
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Castellum, Inc. (the "Company") for the period ended **December 31, 2022** **December 31, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, David T. Bell, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David T. Bell

David T. Bell

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Castellum, Inc.
Compensation Clawback Policy

Revised and adopted by the Board of Directors on November 9, 2023

Each current or former executive officer shall repay or forfeit, to the fullest extent permitted by law and as directed by the independent members of the Board of Directors as identified pursuant to applicable exchange listing standards ("Independent Directors") of Castellum, Inc. ("Company,"), any annual incentive or other performance-based compensation awards ("Awards") received by him or her, if:

- a. the payment, grant, or vesting of the Awards was based on the achievement of financial results that were subsequently the subject of a restatement of the Company's financial statements filed with the Securities and Exchange Commission; and
- a. the amount of the compensation that would have been received by the executive officer had the financial results been properly reported would have been lower than the amount actually received.

The Independent Directors shall have full and final authority to make all determinations under this policy, including without limitation whether the policy applies and whether any recovery would be deemed impracticable. Repayment can be made from the proceeds of the sale of Company stock and the forfeiture of other outstanding awards. All determinations and decisions made by the Board's Independent Directors pursuant to the provisions of this policy shall be final, conclusive, and binding on all persons, including the Company, its affiliates, its stockholders, and employees.

Each Award agreement or other document setting forth the terms and conditions of any annual incentive or other performance-based Award granted to an executive officer shall be deemed to include the provisions of this policy. The remedy specified in this policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company.

DISCLAIMER

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