

REFINITIV

DELTA REPORT

10-Q

GVP - GSE SYSTEMS INC
10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	792
CHANGES	343
DELETIONS	222
ADDITIONS	227

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☐

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended **June September 30, 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 001-14785

GSE Systems, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of incorporation)

52-1868008

(I.R.S. Employer Identification Number)

6940 Columbia Gateway Dr., Suite 470, Columbia MD

(Address of principal executive offices)

21046

(Zip Code)

Registrant's telephone number, including area code: (410) 970-7800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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 during the preceding 12 months (or for such 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", and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

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, \$0.01 Par Value	GVP	The NASDAQ Capital Market

There were **24,802,296** **2,607,241** shares of common stock, with a par value of \$0.01 per share outstanding as of **July 31, 2023** **October 31, 2023**.

GSE SYSTEMS INC. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	3
Item 1. Financial Statements (unaudited)	
Consolidated Balance Sheets as of June 30, 2023 September 30, 2023 (unaudited) and December 31, 2022	3
Unaudited Consolidated Statements of Operations for the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022	4
Unaudited Consolidated Statements of Comprehensive Loss for the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022	5
Unaudited Consolidated Statements of Changes in Stockholders' Equity for the Three and Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022	6
Unaudited Consolidated Statements of Cash Flows for Six Nine Months Ended June 30, 2023 September 30, 2023 and 2022	8
Notes to the Consolidated Financial Statements (unaudited)	9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	26 28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	35 38
Item 4. Controls and Procedures	36 39
PART II. OTHER INFORMATION	37 39
Item 1. Legal Proceedings	37 39
Item 1A. Risk Factors	37 39
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	37 39
Item 3. Defaults Upon Senior Securities	37 39
Item 4. Mine Safety Disclosures	37 39
Item 5. Other Information	37 39
Item 6. Exhibits	38 40

[Table of Contents](#)

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2023 (unaudited)	December 31, 2022	September 30, 2023 (unaudited)	December 31, 2022
ASSETS	ASSETS		ASSETS	
Current assets:				
Cash and cash equivalents	\$ 1,775	\$ 2,789	\$ 2,041	\$ 2,789
Restricted cash, current	500	1,052	378	1,052
Contract receivables, net of allowance for credit loss	10,190	10,064	10,697	10,064
Prepaid expenses and other current assets	830	2,165	569	2,165
Total current assets	13,295	16,070	13,685	16,070
Equipment, software and leasehold improvements, net	682	772	648	772
Software development costs, net	646	574	698	574
Goodwill	6,299	6,299	5,362	6,299
Intangible assets, net	1,395	1,687	1,287	1,687
Restricted cash - long term	1,080	535	1,081	535
Operating lease right-of-use assets, net	609	506	518	506
Other assets	42	53	42	53
Total assets	\$ 24,048	\$ 26,496	\$ 23,321	\$ 26,496
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term note	\$ 851	\$ 3,038	\$ 1,445	\$ 3,038
Accounts payable	1,719	1,262	2,346	1,262
Accrued expenses	2,490	2,084	1,832	2,084
Accrued compensation	1,842	1,071	1,790	1,071
Billings in excess of revenue earned	3,157	4,163	4,215	4,163
Accrued warranty	276	370	265	370
Income taxes payable	1,731	1,774	1,629	1,774
Derivative liabilities	1,718	603	1,538	603
Other current liabilities	483	1,286	987	1,286
Total current liabilities	14,267	15,651	16,047	15,651

Long-term note, less current portion	1,670	310	942	310
Operating lease liabilities noncurrent	358	160	315	160
Other noncurrent liabilities	214	144	168	144
Total liabilities	16,509	16,265	17,472	16,265
Commitments and contingencies (Note 16)				
Stockholders' equity:				
Preferred stock \$0.01 par value; 2,000,000 shares authorized; no shares issued and outstanding	-	-	-	-
Common stock \$0.01 par value; 60,000,000 shares authorized, 26,401,207 and 24,046,806 shares issued, 24,802,296 and 22,447,895 shares outstanding, respectively	264	240		
Common stock \$0.01 par value; 60,000,000 shares authorized, 2,648,085 and 2,404,681 shares issued, 2,488,194 and 2,244,790 shares outstanding, respectively			26	24
Additional paid-in capital	84,641	82,911	85,196	83,127
Accumulated deficit	(74,433)	(69,927)	(76,455)	(69,927)
Accumulated other comprehensive income	66	6	81	6
Treasury stock at cost, 1,598,911 shares	(2,999)	(2,999)		
Treasury stock at cost, 159,891 shares			(2,999)	(2,999)
Total stockholders' equity	7,539	10,231	5,849	10,231
Total liabilities and stockholders' equity	\$ 24,048	\$ 26,496	\$ 23,321	\$ 26,496

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

3

[Table of Contents](#)

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue	\$ 12,387	\$ 12,745	\$ 23,260	\$ 25,020	\$ 11,566	\$ 11,898	\$ 34,826	\$ 36,918
Cost of revenue	9,172	9,573	17,650	19,421	7,850	8,642	25,500	28,063
Gross profit	3,215	3,172	5,610	5,599	3,716	3,256	9,326	8,855
Operating expenses:								
Selling, general and administrative	3,653	4,410	8,441	8,917	4,301	4,336	12,742	13,253
Research and development	154	182	335	324	139	186	474	510
Goodwill and intangible asset impairment charge					937	7,505	937	7,505
Depreciation	53	72	101	144	43	69	144	213
Amortization of intangible assets	131	231	292	491	108	209	400	700
Total operating expenses	3,991	4,895	9,169	9,876	5,528	12,305	14,697	22,181
Operating loss	(776)	(1,723)	(3,559)	(4,277)	(1,812)	(9,049)	(5,371)	(13,326)
Interest expense, net	(767)	(358)	(1,053)	(506)	(430)	(422)	(1,483)	(928)
Change in fair value of derivative instruments, net	171	695	240	114	180	263	420	377
Other loss, net	(98)	(72)	(88)	(56)	(30)	(2)	(118)	(58)
Loss before income taxes	(1,470)	(1,458)	(4,460)	(4,725)	(2,092)	(9,210)	(6,552)	(13,935)
Provision for (benefit from) income taxes	28	(57)	(11)	110				
Benefit from income taxes					(70)	(218)	(81)	(108)
Net loss	\$ (1,498)	\$ (1,401)	\$ (4,449)	\$ (4,835)	\$ (2,022)	\$ (8,992)	\$ (6,471)	\$ (13,827)
Net loss per common share - basic and diluted	\$ (0.06)	\$ (0.07)	\$ (0.19)	\$ (0.23)	\$ (0.82)	\$ (4.22)	\$ (2.70)	\$ (6.55)
Weighted average shares outstanding used to compute net loss per share - basic and diluted	24,188,265	21,033,447	23,564,133	21,006,910	2,480,505	2,128,888	2,398,468	2,110,194

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

4

[Table of Contents](#)

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net loss	\$ (1,498)	\$ (1,401)	\$ (4,449)	\$ (4,835)	\$ (2,022)	\$ (8,992)	\$ (6,471)	\$ (20,449)
Cumulative translation adjustment	70	(106)	60	75	15	91	75	10
Comprehensive loss	\$ (1,428)	\$ (1,507)	\$ (4,389)	\$ (4,760)	\$ (2,007)	\$ (8,901)	\$ (6,396)	\$ (20,439)

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

5

[Table of Contents](#)

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Common Stock					Treasury Stock			Common Stock			
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shares	Amount	Total	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss
Six Months Ended												
Balance, January 1, 2023	24,047	\$ 240	\$ 82,911	\$ (69,927)	\$ -	6	(1,599)	\$ (2,999)	2,405	\$ 24	\$ 83,127	\$ (20,449)
Adoption of ASC 326 Current Expected Credit Losses (CECL)	-	-	-	(57)	-	-	-	(57)	-	-	-	-
Adjusted balance, January 1, 2023	24,047	240	82,911	(69,984)	-	6	(1,599)	(2,999)	2,405	24	83,127	(20,449)
Stock-based compensation expense	-	-	537	-	-	-	-	537	-	-	865	-
Common stock issued for RSUs vested	380	4	(4)	-	-	-	-	-	46	-	-	-
Shares withheld to pay taxes	-	-	(77)	-	-	-	-	(77)	-	-	(88)	-
Foreign currency translation adjustment	-	-	-	-	60	-	-	60	-	-	-	-
Repayment of convertible note in shares	1,974	20	1,274	-	-	-	-	1,294	197	2	1,292	-
Net loss	-	-	-	(4,449)	-	-	-	(4,449)	-	-	-	-
Balance, June 30, 2023	<u>26,401</u>	<u>\$ 264</u>	<u>\$ 84,641</u>	<u>\$ (74,433)</u>	<u>\$ 66</u>	<u>(1,599)</u>	<u>\$ (2,999)</u>	<u>\$ 7,539</u>	<u>2,648</u>	<u>\$ 26</u>	<u>\$ 85,196</u>	<u>\$ (20,449)</u>
Balance, September 30, 2023	<u>26,401</u>	<u>\$ 264</u>	<u>\$ 84,641</u>	<u>\$ (74,433)</u>	<u>\$ 66</u>	<u>(1,599)</u>	<u>\$ (2,999)</u>	<u>\$ 7,539</u>	<u>2,648</u>	<u>\$ 26</u>	<u>\$ 85,196</u>	<u>\$ (20,449)</u>
Balance, January 1, 2022	22,533	\$ 225	\$ 80,505	\$ (54,584)	\$ (104)	(1,599)	\$ (2,999)	\$ 23,043	2,253	\$ 23	\$ 80,708	\$ (19,449)
Stock-based compensation expense	-	-	1,025	-	-	-	-	1,025	-	-	1,504	-
Common stock issued for RSUs vested	317	3	(3)	-	-	-	-	-	44	-	(1)	-
Shares withheld to pay taxes	-	-	(203)	-	-	-	-	(203)	-	-	(226)	-
Foreign currency translation adjustment	-	-	-	-	75	-	-	75	-	-	-	-
Repayment of convertible note in shares	-	-	-	-	-	-	-	-	34	-	320	-
Net income	-	-	-	(4,835)	-	-	-	(4,835)	-	-	-	-

Balance, June 30, 2022	22,850	\$	228	\$	81,324	\$	(59,419)	\$	(29)	(1,599)	\$	(2,999)	\$	19,105
Balance, September 30, 2022														
	2,332	\$	23	\$	82,305	\$								

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

6

[Table of Contents](#)

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

Three Months Ended	Common Stock					Treasury Stock			Common Stock			
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shares	Amount	Total	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss
Balance, April 1, 2023	25,160	\$ 252	\$ 83,860	\$ (72,935)	\$ (4)	(1,599)	\$ (2,999)	\$ 8,174				
Balance, July 1, 2023									2,640	\$ 26	\$ 84,879	\$ (4)
Stock-based compensation expense									-	-		327
Common stock issued for RSUs vested									8	-		-
Shares withheld to pay taxes									-	-		(10)
Foreign currency translation adjustment									-	-		-
Net loss									-	-		-
Balance, September 30, 2023									2,648	\$ 26	\$ 85,196	\$ (4)
Balance, July 1, 2022									2,285	\$ 23	\$ 81,529	\$ (4)
Stock-based compensation expense	-	-	263	-	-	-	-	263	-	-		479
Common stock issued for RSUs vested	259	2	(2)	-	-	-	-	-	13	-		-
Shares withheld to pay taxes	-	-	(19)	-	-	-	-	(19)	-	-		(23)
Foreign currency translation adjustment	-	-	-	-	70	-	-	70	-	-		-
Repayment of convertible note in shares	982	10	539	-	-	-	-	549	34	-		320
Net loss	-	-	-	(1,498)	-	-	-	(1,498)				
Balance, June 30, 2023	26,401	\$ 264	\$ 84,641	\$ (74,433)	\$ 66	(1,599)	\$ (2,999)	\$ 7,539				
Balance, April 1, 2022	22,609	\$ 226	\$ 80,777	\$ (58,018)	\$ 77	(1,599)	\$ (2,999)	\$ 20,063				
Stock-based compensation expense	-	-	666	-	-	-	-	666				
Common stock issued for RSUs vested	241	2	(2)	-	-	-	-	-				
Shares withheld to pay taxes	-	-	(117)	-	-	-	-	(117)				
Foreign currency translation adjustment	-	-	-	-	(106)	-	-	(106)				
Net income	-	-	-	(1,401)	-	-	-	(1,401)	-	-		-
Balance, June 30, 2022	22,850	\$ 228	\$ 81,324	\$ (59,419)	\$ (29)	(1,599)	\$ (2,999)	\$ 19,105				
Balance, September 30, 2022									2,332	\$ 23	\$ 82,305	\$ (4)

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

7

[Table of Contents](#)

GSE SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six months ended		Nine months ended	
	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022
Cash flows from operating activities:				
Net loss	\$ (4,449)	\$ (4,835)	\$ (6,471)	\$ (13,827)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Goodwill and intangible asset impairment charge			937	7,505
Depreciation	101	144	144	213
Legal settlement			750	-
Amortization of intangible assets	292	491	400	700
Amortization of capitalized software development costs	167	167	248	255
Amortization of deferred financing costs	15	7	22	11
Amortization of debt discount	556	482	981	925
Loss on debt settled in shares	145	-	145	21
Stock-based compensation expense	531	1,101	853	1,592
Credit loss expense	30	97	24	97
Change in fair value of derivative instruments, net	(240)	(114)	(420)	(377)
Foreign currency transaction (gain) loss	135	187	152	178
Deferred income taxes	6	77	3	(80)
Changes in assets and liabilities:				
Contract receivables, net	(254)	1,578	(736)	922
Prepaid expenses and other assets	1,472	3,020	1,891	3,638
Accounts payable, accrued compensation and accrued expenses	1,724	379	1,572	539
Billings in excess of revenue earned	(992)	(588)	76	(818)
Accrued warranty	(72)	(138)	(98)	(163)
Other liabilities	10	(416)	(167)	(581)
Net cash (used in) provided by operating activities	(823)	1,639		
Net cash provided by operating activities			306	750
Cash flows from investing activities:				
Capital expenditures	(13)	(134)	(19)	(171)
Capitalized software development costs	(239)	(206)	(372)	(276)
Net cash used in investing activities	(252)	(340)	(391)	(447)
Cash flows from financing activities:				
Repayment of line of credit	-	(1,817)	-	(1,817)
Repayment of insurance premium financing	(486)	(594)	(729)	(906)
Proceeds from issuance of long-term debt and warrants	1,800	5,750	1,800	5,750
Payments of debt issuance and original discount on issuance of long-term debt and warrants	(386)	(968)	(386)	(968)
Principal repayment of convertible note	(768)	-	(1,327)	(319)
Tax paid for shares withheld	(77)	(203)	(88)	(226)
Net cash provided by financing activities	83	2,168		
Net cash (used in) provided by financing activities			(730)	1,514
Effect of exchange rate changes on cash	(29)	(70)	(61)	(124)
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,021)	3,397	(876)	1,693
Cash, cash equivalents and restricted cash at beginning of the period	4,376	3,550	4,376	3,550
Cash, cash equivalents and restricted cash at the end of the period	\$ 3,355	\$ 6,947	\$ 3,500	\$ 5,243
Cash and cash equivalents	\$ 1,775	\$ 5,364	\$ 2,041	\$ 3,660
Restricted cash, current	500	632	378	651
Restricted cash included in other long-term assets	1,080	951	1,081	932
Total cash, cash equivalents and restricted cash	\$ 3,355	\$ 6,947	\$ 3,500	\$ 5,243
Supplemental cash flow disclosures:				
Non-cash financing activities				
Repayment of convertible note in shares	\$ 1,293	\$ -	\$ 1,293	\$ 320
Establishment of new right-of-use assets	1,294	-	333	60
Establishment of new operating lease liability	(333)	-	(333)	(58)
Discount on issuance of convertible note	300	750	300	750

[Table of Contents](#)

GSE SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

GSE Systems, Inc. is a leading provider of professional and technical engineering, staffing services and simulation software to clients in the power and process industries. References in this report to “GSE” or “we” or “our” or “the Company” are to GSE Systems, Inc. and our subsidiaries, collectively.

The consolidated interim financial statements included herein have been prepared by GSE and are unaudited. In the opinion of our management, all adjustments and reclassifications of a normal and recurring nature necessary to present fairly the financial position, results of operations and cash flows for the periods presented, have been made. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted. All intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. The accompanying balance sheet data for the year ended as of December 31, 2022 was derived from our audited financial statements, but it does not include all disclosures required by U.S. GAAP.

The results of operations for interim periods are not necessarily an indication of the results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission on April 17, 2023.

The preparation of financial statements in conformity with U.S. GAAP 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 financial statements, as well as reported amounts of revenues and expenses during the reporting period. Our most significant estimates relate to revenue recognition on contracts with customers, product warranties, valuation of goodwill and intangible assets acquired including the determination of fair value in impairment tests, valuation of long-lived assets, to be disposed of, valuation of stock-based compensation awards, the recoverability of deferred tax assets, and valuation of warrants and derivative liabilities related to our convertible notes. Actual results of these and other items not listed could differ from these estimates and those differences could be material.

Reverse Stock Split

On October 30, 2023, the Company effected a ten-for-one reverse stock split of the Company's common stock whereby each ten shares of the Company's authorized and outstanding common stock was replaced with one share of common stock. The par value of the common stock was not adjusted. Following the reverse split, the outstanding shares of common stock was adjusted to 2,607,241. All common share and per share amounts for all periods presented in the consolidated financial statements and the notes to the consolidated financial statements have been retrospectively adjusted to give effect to the reverse stock split.

Liquidity and Going Concern

The accompanying consolidated financial statements of the Company have been prepared assuming the Company will continue as a going concern and in accordance with U.S. GAAP. The going concern basis of presentation assumes that the Company will continue in operation one year after the date these financial statements are issued and will be able to realize its assets and satisfy its liabilities and commitments in the normal course of business. Pursuant to the requirements of the Financial Accounting Standards Board's (“FASB”) Accounting Standards Codification (“ASC”) Topic 205-40, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, management must evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year from the date these financial statements are issued. This evaluation does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented or are not within control of the Company as of the date the financial statements are issued. When substantial doubt exists under this methodology, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, are only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. Management determined that as of November 14, 2023 substantial doubt exists about the Company's ability to continue as a going concern within the next twelve months. The implemented plans to mitigate relevant conditions may not alleviate management's concerns that raise substantial doubt about the Company's ability to continue as a going concern within the twelve months ended August 17, 2024 November 14, 2024.

[Table of Contents](#)

On November 4, 2022, the Company received a notification letter from NASDAQ related to NASDAQ Listing Rules informing us that the Company no longer meets the requirement to maintain a minimum bid price of \$1.00 per share. The Company filed a Form 8-K on November 8, 2022, to disclose receipt of this letter. The Company had an initial 180-day period (or until May 3, 2023) to cure this deficiency by maintaining a closing bid price of \$1 per share for at least 10 consecutive trading days, and if compliance was not achieved

within the initial 180 calendar days we could petition NASDAQ for an additional period of 180 calendar days in which to increase the stock price. Anticipating that it would not regain compliance with the NASDAQ minimum closing bid price requirement by May 3, 2023, on April 19, 2023, the Company submitted a request for an additional 180-day period within which to regain compliance. On May 4, 2023, the Company received a letter from NASDAQ advising that the 180-day extension – expiring on October 30, 2023 – had been granted due to the facts that the Company:

- had met the market value of publicly held shares requirement for continuing listing,
- had met all other listing requirements for NASDAQ (other than bid price requirement), and
- had provided written notice to NASDAQ with a plan of how it intends to regain compliance with the bid price requirement during the second 180-day period.

The Company's plan to regain compliance includes continuing to monitor the closing bid price of its Common Stock and, if appropriate, implementing available options including, but not limited to, undertaking a reverse stock split of its outstanding securities at a ratio within the range of one-for-five to one-to-ten, one-for-ten, which will have the initial effect of multiplying the trading price of the Company's Common Stock by the same ratio. Because such an action requires stockholder approval, the Company put the matter before its stockholders for approval at the 2023 annual meeting of stockholders, which was held on June 12, 2023. The Company's stockholders approved the proposal and, unless the Company's Common Stock maintains a closing bid price of \$1 per share for at least 10 consecutive trading days,

On October 25, 2023, the Company intends filed a Certificate of Amendment to its Restated Certificate of Incorporation with the Secretary of State of Delaware to effect a ten-for-one reverse stock split (the "Reverse Stock Split") of its outstanding the Common Stock. The Reverse Stock Split went effective at 12:01 a.m. Eastern Time on October 30, 2023, and the Common Stock was quoted on the NASDAQ Capital Market on a post-split basis at a ratio within the range open of one-for-five to one-to-ten prior to business on October 30, 2023. We believe that compliance with All shares and per share amounts in the NASDAQ minimum bid price listing requirement will be achieved before these consolidated financial statements and accompanying notes have been retroactively adjusted to give effect to the expiration reverse stock split. Immediately following the reverse stock split, the Company's issued and outstanding shares of Common Stock decreased from 26,072,411 pre-split to approximately 2,607,241 post-split shares. Due to the nature of the second 180-day period.

If compliance is Minimum Bid Price Requirement, however, the Company was required to have effectuated the Reverse Stock Split not achieved later than ten business or trading days prior to October 30, 2023, and consequently a delisting letter is issued, or October 17, 2023. While the Company may effectuated the reverse stock split by October 30, 2023, due to an administrative oversight, the Company failed to satisfy this earlier deadline. On October 31, 2023, the Company received a telephone call from the staff of NASDAQ notifying the Company that, due to the Company's failure to effectuate the Reverse Stock Split by October 17, 2023, and to establish ten trading dates to satisfy the Minimum Bid Price Requirement, the Company failed to establish compliance with the Minimum Bid Price Requirement per NASDAQ Listing Rule 5550(a)(2). NASDAQ followed with a written a staff determination letter dated October 31, 2023 (the "Staff Determination"), which provides that the Company had not regained compliance with the Minimum Bid Price Requirement and, as a result, unless the Company requests a timely appeal of the Staff Determination by November 9, 2023, the Company's securities would be delisted.

On November 1, 2023, the Company submitted a timely appeal and request a for hearing before a NASDAQ Hearings Panel (the "Panel") to appeal the NASDAQ Hearing Staff Determination (the "Appeal"). The Company noted for the Panel with regard to delisting, which may have that the effect Company has already effectuated the Reverse Stock Split and has satisfied the Minimum Bid Price Requirement through the submission of staying the Appeal. On November 2, 2023, the Company received a letter from the Panel (the "Panel Letter") establishing a February 1, 2024 date for the hearing and stating that the delisting and provide action referenced in the Staff Determination letter would be stayed pending a final written decision by the Panel. On November 3, 2023, in response to the Panel Letter, the Company submitted an expedited appeal and plan of compliance.

10

While there can be no assurance that the Company will ultimately regain and sustain compliance for listing of its securities on NASDAQ, based upon discussions with the opportunity staff of NASDAQ, the Company expects that if it continues to present its meets the Minimum Bid Price Requirement through November 10, 2023, no further plans to regain compliance. action will be taken by NASDAQ, the Staff Determination may be withdrawn at the discretion of the Nasdaq staff and the hearing scheduled before the Panel would become moot.

If the Company's Common Stock ceases to be listed on NASDAQ, which will not occur prior to the February 1, 2024 hearing before the Panel, Lind Global Fund II LP ("Lind Global"), as the holder of that certain convertible promissory note in the amount of \$5,750,000 (as amended, the "2022 Convertible Note") and that certain convertible promissory note in the amount of \$1,800,000 (the "2023 Convertible Note" and, together with the 2022 Convertible Note, the "Convertible Notes") (see Note 10 for further details), may deliver a notice of event of default together with a demand for payment to the Company for payment in full. If such a demand is delivered, the Company shall, within ten business days, pay all of the outstanding principal amount or, at its election, Lind Global may elect to convert all or a portion of the outstanding principal amount and the conversion price shall be adjusted to the lower of the then-current conversion price and 80% of the average of the three lowest daily variable average weighted prices during the twenty trading days prior to delivery. Additionally, if we are unable to maintain our listing on NASDAQ, it will constitute an event of default under the Convertible Notes, which would trigger certain obligations under the Convertible Notes including, but not limited to, causing an amount equal to 120% of the outstanding principal amount of the Convertible Notes to immediately become due. Although there can be no assurance that the Company will be able to regain compliance with the minimum bid price requirement within the time period(s) permitted by NASDAQ or maintain compliance with any of the other NASDAQ continued listing requirements, having obtained the required stockholder vote at our annual meeting, we believe we will be able to remediate the noncompliance.

The Company has incurred operating losses and has not demonstrated an ability to generate cash in excess of its operating expenses for a sustained period of time. During the year ended December 31, 2022, the Company generated a loss from operations of \$14.4 million, which includes non-cash impairment charges of long-lived assets and goodwill from our Workforce Solutions segment totaling \$7.5 million. During the six nine months ended June 30, 2023 September 30, 2023, the Company generated a \$0.8 million loss on \$0.3 million of net cash used in provided by operating activities. As of June 30, 2023 September 30, 2023, the Company had domestic unrestricted cash and cash equivalents of \$1.8 million \$2.0 million which is not sufficient to fund the Company's planned operations through one year after the date the consolidated financial statements are issued. These factors create substantial doubt about the Company's ability to continue as a going concern for at least one year after the date that our audited consolidated financial statements are issued.

10

[Table of Contents](#)

In making this assessment we performed a comprehensive analysis of our current circumstances and to alleviate these conditions, management is monitoring the Company's performance and evaluating strategies to obtain the required additional funding for future operations. These strategies may include, but are not limited to, restructuring of operations to grow revenues and decrease expenses, obtaining equity financing, issuing debt, or entering into other financing arrangements. The analysis used to determine the Company's ability to continue as a going concern does not include cash sources outside the Company's direct control that management expects to be available within the next twelve months.

Note 2 - Recent Accounting Pronouncements

Accounting pronouncements recently adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326) to replace the incurred loss impairment methodology under U.S. GAAP. This ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which could result in earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model will require the Company to use a forward-looking expected credit loss impairment methodology for the recognition of credit losses for financial instruments at the time the financial asset is originated or acquired, and require a loss be **incurred** **recognized** before it is **recognized**, **realized**. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The new standard will apply to accounts receivable, loans, and other financial **instruments**, **instruments with credit risk**. This standard **is** **was** effective for the Company beginning January 1, 2023. The Company adopted the new guidance starting January 1, 2023 on a modified retrospective basis. The impact of this ASU is reflected in the consolidated financial statements and was not material.

11

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on our consolidated financial statements and related disclosures.

Note 3 - Basic and Diluted Loss per Share

Basic earnings per share is based on the weighted average number of outstanding common shares for the period. Diluted earnings per share adjusts the weighted average shares outstanding for the potential dilution that could occur if outstanding RSU's, stock options and warrants were exercised. Basic and diluted earnings per share are based on the weighted average number of outstanding shares for the period.

The number of common shares and common share equivalents used in the determination of basic and diluted loss per common share were as follows:

(in thousands, except for share data)

	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Numerator:								
Net loss attributed to common stockholders	\$ (1,498)	\$ (1,401)	\$ (4,449)	\$ (4,835)	\$ (2,022)	\$ (8,992)	\$ (6,471)	\$ (13,827)
Denominator:								
Weighted-average shares outstanding for basic earnings per share	24,188,265	21,033,447	23,564,133	21,006,910	2,480,505	2,128,888	2,398,468	2,110,194
Adjusted weighted-average shares outstanding and assumed conversions for diluted earnings per share	24,188,265	21,033,447	23,564,133	21,006,910	2,480,505	2,128,888	2,398,468	2,110,194
Total shares considered for dilution	11,769,795	5,352,245	12,263,781	5,352,245	1,103,556	520,376	1,176,007	520,376

11

[Table of Contents](#)

Note 4 - Coronavirus Aid, Relief and Economic Security Act

Employee Retention Credits (ERC)

Employee retention tax credits, made available under the CARES Act, allow eligible employers to claim a refundable tax credit against the employer share of Social Security tax equal to 70% of the qualified wages they pay to employees, initially from March 27, 2020 until June 30, 2021, and extended through September 30, 2021. In 2021, we applied for \$5.0 million in refunds from the Internal Revenue Service with filing of our 941s and achieved \$2.2 million in credits from unremitted payroll taxes as allowed. We recorded other income of \$7.2 million related to the employee retention tax credits earned for the year ended December 31, 2021. During the three months ended June 30, 2023, we received \$0.1 million refund, closing out our Employee tax refund credits totaling \$5.0 million.

Note 5 - Contract Receivables

Contract receivables represent our unconditional rights to consideration due from our domestic and international customers. We expect to collect all contract receivables within the next twelve months.

The components of contract receivables were as follows:

(in thousands)

	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Billed receivables	\$ 4,059	\$ 6,074	\$ 4,385	\$ 6,074
Unbilled receivables	6,590	5,146	6,755	5,146
Allowance for credit loss	(459)	(1,156)	(443)	(1,156)
Total contract receivables, net	\$ 10,190	\$ 10,064	\$ 10,697	\$ 10,064

12

During the first quarter of 2023, the Company adopted ASU 2016-13, "Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments." This ASU replaces the incurred loss impairment model with an expected credit loss impairment model for financial instruments, including accounts receivable. Under the new guidance, an entity recognizes its estimate of lifetime expected credit losses as an allowance, which the FASB believes will result in more timely recognition of such losses. Under the CECL impairment model, the Company develops and documents its allowance for credit losses on its contract receivables based on three portfolio segments by customer geographic location: North America, China, Rest of World (ROW). The determination of portfolio segments is based primarily on the qualitative consideration of the nature of the Company's business operations and the characteristics of the underlying trade receivables.

The following table sets forth the activity in the allowance for credit losses for the three nine months ended June 30, 2023 September 30, 2023.

(in thousands)

Beginning balance at January 1, 2023	\$ 1,156	\$ 1,156
Adoption of ASC326 Current Expected Credit Losses (CECL)	57	57
Adjusted balance at January 1, 2023	1,213	1,213
Current period provision for expected credit loss	7	
Current period provision for expected credit (recovery) loss		(1)
Write-offs charged against the allowance, net of recoveries	(722)	(729)
Currency adjustment	(39)	(40)
Balance at June 30, 2023	\$ 459	
Balance at September 30, 2023		\$ 443

During the three months ended June 30, 2023 and 2022, September 30, 2023 we recorded credit (recovery) loss expense of \$(2) \$(6) thousand, and \$97 thousand, respectively. no credit loss expense was recorded during the three months ended September 30, 2022. During the six nine months ended June 30, 2023 September 30, 2023 and 2022, we recorded credit loss expense of \$30 \$24 thousand and \$97 thousand, respectively. The write-offs charged against the allowance, net of recoveries is related to a an unbilled receivable balance for a customer contract with our GSE Beijing entity, and had been fully reserved during the year ended 2021. During the three and six months ended June 30, 2023, management determine this amount to be fully uncollectible and has been was written off against the allowance.

During the month of July October 2023, we invoiced \$3.8 million \$3.2 million of the unbilled receivables as of June 30, 2023 September 30, 2023.

12

[Table of Contents](#)

Our foreign currency denominated contract receivables, billings in excess of revenue earned and subcontractor accruals that are related to the outstanding foreign exchange contracts are remeasured at the end of each reporting period into our functional currency, using the current exchange rate at the end of the period. The gain or loss resulting from such remeasurement is included in other income, net in the consolidated statements of operations. During the three months ended June 30, 2023 September 30, 2023 and 2022, we recognized a (loss) gain on remeasurement of these foreign exchange contracts of (\$55) \$32 thousand and \$51 \$6 thousand, respectively. During the six nine months ended June 30, 2023 September 30, 2023 and 2022, we recognized a gain loss on remeasurement of these foreign exchange contracts of \$17 \$(15) thousand and \$54 \$(51) thousand, respectively.

Note 6 - Goodwill and Intangible Assets

The Company monitors operating results and events and circumstances that may indicate potential impairment of intangible assets. Management concluded that no triggering events that had occurred during the six three and nine months ended June September 30, 2023 and 2022.

During the three months ended September 30, 2022, we determined that the deterioration in sales, decline in revenues, delayed pipeline opportunities, and overall downward performance results and the forecast related to the Workforce Solutions business segment was material enough to be considered a triggering event that could result in impairment of our long-lived assets. We performed an interim analysis and determined an impairment existed at September 30, 2022 in accordance with ASC 350 & ASC 360. As such, we recorded an impairment of the related goodwill and definite-lived intangible assets of \$7.0 million and \$0.5 million, for the three months ended September 30, 2022, respectively. respectively. Goodwill impairment was allocated to the Training Services and Technical Staffing business units based on their pro rata share of Workforce Solution's book value of Goodwill

13

During the three months ended September 30, 2023, we determined that the overall market capitalization deterioration due to the falling share price, decline in revenues, and delayed pipeline opportunities was material enough to be considered a triggering event that could result in impairment of our long-lived assets. We performed an interim analysis and determined an impairment existed for the Workforce Solutions business segment at September 30, 2023 in accordance with ASC 350 & ASC 360. As such, we recorded an

impairment of the related goodwill of \$0.9 million for the three and nine months ended September 30, 2023 to the Training Services and Technical Staffing business units based on their pro rata share of Workforce Solution's book value of Goodwill. No impairment was identified related to any other asset grouping.

Goodwill

The following table shows the gross carrying amount and impairment of goodwill:

(in thousands)

	Goodwill	Accumulated Impairment	Net	Goodwill	Accumulated Impairment	Net
Engineering	\$ 8,278	\$ (3,370)	\$ 4,908	\$ 8,278	\$ (3,370)	\$ 4,908
Workforce Solutions	8,431	(7,040)	1,391	8,431	(7,977)	454
Net book value at June 30, 2023	<u>\$ 16,709</u>	<u>\$ (10,410)</u>	<u>\$ 6,299</u>			
Net book value at September 30, 2023				<u>\$ 16,709</u>	<u>\$ (11,347)</u>	<u>\$ 5,362</u>

(in thousands)

	Goodwill	Accumulated Impairment	Net
Engineering	\$ 8,278	\$ (3,370)	\$ 4,908
Workforce Solutions	8,431	(7,040)	1,391
Net book value at December 31, 2022	<u>\$ 16,709</u>	<u>\$ (10,410)</u>	<u>\$ 6,299</u>

Intangible assets

The following table shows the gross carrying amount and accumulated amortization of definite-lived intangible assets:

(in thousands)

	As of June 30, 2023				As of September 30, 2023			
	Gross Carrying Amount	Accumulated Amortization	Impairment	Net	Gross Carrying Amount	Accumulated Amortization	Impairment	Net
Amortized intangible assets:								
Customer relationships	\$ 8,628	\$ (7,242)	\$ (464)	\$ 922	\$ 8,628	\$ (7,318)	\$ (464)	\$ 846
Trade names	1,689	(1,239)	-	450	1,689	(1,261)	-	428
Developed technology	471	(471)	-	-	471	(471)	-	-
Non-contractual customer relationships	433	(433)	-	-	433	(433)	-	-
Noncompete agreement	527	(504)	-	23	527	(514)	-	13
Alliance agreement	527	(527)	-	-	527	(527)	-	-
Others	167	(167)	-	-	167	(167)	-	-
Total	<u>\$ 12,442</u>	<u>\$ (10,583)</u>	<u>\$ (464)</u>	<u>\$ 1,395</u>	<u>\$ 12,442</u>	<u>\$ (10,691)</u>	<u>\$ (464)</u>	<u>\$ 1,287</u>

13 14

[Table of Contents](#)

(in thousands)

	As of December 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Impairment	Net
Amortized intangible assets:				
Customer relationships	\$ 8,628	\$ (7,050)	\$ (464)	\$ 1,114
Trade names	1,689	(1,196)	-	493
Developed technology	471	(471)	-	-
Non-contractual customer relationships	433	(433)	-	-
Noncompete agreement	527	(486)	-	41
Alliance agreement	527	(488)	-	39
Others	167	(167)	-	-
Total	<u>\$ 12,442</u>	<u>\$ (10,291)</u>	<u>\$ (464)</u>	<u>\$ 1,687</u>

Amortization expense related to definite-lived intangible assets totaled \$0.1 million and \$0.2 million for the three months ended **June 30, 2023** **September 30, 2023** and 2022 and **\$0.3 million** **\$0.4 million** and **\$0.5 million** **\$0.7 million** for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. The following table shows the estimated amortization expense of the definite-lived intangible assets for the next five years and thereafter:

<i>(in thousands)</i>			
Years ended December 31:			
2023 remainder	\$	215	\$ 108
2024		332	332
2025		255	255
2026		204	204
2027		169	169
Thereafter		220	219
Total	\$	1,395	\$ 1,287

Note 7 - Equipment, Software and Leasehold Improvements

Equipment, software and leasehold improvements, net consist of the following:

<i>(in thousands)</i>				
	June 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Computer and equipment	\$ 2,372	\$ 2,363	\$ 2,375	\$ 2,363
Software	2,291	2,291	2,292	2,291
Leasehold improvements	659	659	660	659
Furniture and fixtures	839	838	840	838
	6,161	6,151	6,167	6,151
Accumulated depreciation	(5,479)	(5,379)	(5,519)	(5,379)
Equipment, software and leasehold improvements, net	\$ 682	\$ 772	\$ 648	\$ 772

Depreciation expense was **\$53** **\$43** thousand and **\$72** **\$69** thousand for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Depreciation expense was **\$101** **\$144** thousand and **\$144** **\$213** thousand for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

14

[Table of Contents](#)

Note 8 - Fair Value of Financial Instruments

ASC 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

15

The levels of the fair value hierarchy established by ASC 820 are:

Level 1: inputs are quoted prices, unadjusted, in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: inputs are unobservable and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

As of **June 30, 2023** **September 30, 2023** and December 31, 2022, we considered the recorded value of certain of our financial assets and liabilities, which consist primarily of cash and cash equivalents, contract receivable and accounts payable, to approximate fair value based upon their short-term nature.

Our convertible debt issued in February 2022, amended in June 2023 and our new convertible debt issued in June 2023 (see Note 10) includes certain embedded redemption features that are required to be bifurcated as embedded derivatives and measured at fair value on a recurring basis. We estimate the fair value using a Monte Carlo simulation based on estimates of our future stock price and assumptions about the possible redemption scenarios.

The Company used the Monte Carlo simulation model to determine the fair value of the Warrants (see Note 10) and Cash-Settled PRSUs, which required the input of subjective assumptions. The fair value of the Warrants as of **June 30, 2023** **September 30, 2023** was estimated with the following assumptions.

Amended 2022 Convertible Note	2023 Convertible Note	Amended 2022 Convertible Note	2023 Convertible Note
----------------------------------	--------------------------	----------------------------------	--------------------------

Exercise Price	\$	1.94	\$	0.50	\$	19.40	\$	5.00
Common Stock Price	\$	0.36	\$	0.36	\$	2.02	\$	2.02
Risk Free Rate		4.31%		4.13%		4.7%		4.13%
Volatility		70.0%		75.0%		80.0%		80.0%
Term (in years)		3.7 yrs.		2.0 yrs.		3.4 yrs.		4.7 yrs.

The following table presents assets and liabilities measured at fair value at **June September 30, 2023**:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative liability	\$ -	\$ -	\$ 664	\$ 664	\$ -	\$ -	\$ 1,064	\$ 1,064
Warrant liability	-	-	1,054	1,054	-	-	474	474
Cash settled performance-vesting restricted stock units	-	-	89	89	-	-	82	82
Total liabilities	\$ -	\$ -	\$ 1,807	\$ 1,807	\$ -	\$ -	\$ 1,620	\$ 1,620

15 16

[Table of Contents](#)

The following table presents assets and liabilities measured at fair value at December 31, 2022:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Derivative liability	\$ -	\$ -	\$ 285	\$ 285
Warrant liability	-	-	267	267
Cash settled performance-vesting restricted stock units	-	-	51	51
Total liabilities	\$ -	\$ -	\$ 603	\$ 603

The following table summarizes changes in the fair value of our Level 3 liabilities during the **six nine** months ended **June September 30, 2023**.

(in thousands)	Embedded Redemption Features	Warrant	Cash Settled PRSUs	Level 3 Total	Embedded Redemption Features	Warrant	Cash Settled PRSUs	Level 3 Total
Balance at December 31, 2022	\$ 285	\$ 267	\$ 51	\$ 603	\$ 285	\$ 267	\$ 51	\$ 603
FV of derivatives with new convertible note issuance	286	1,120	-	1,406	286	1,120	-	1,406
Change in FV included in gain on derivative instruments, net	93	(333)	-	(240)	493	(913)	-	(420)
Stock compensation less payments made	-	-	38	38	-	-	31	31
Balance at June 30, 2023	\$ 664	\$ 1,054	\$ 89	\$ 1,807				
Balance at September 30, 2023					\$ 1,064	\$ 474	\$ 82	\$ 1,620

Note 9 - Stock-Based Compensation

We recognize compensation expense on a pro rata straight-line basis over the requisite service period for stock-based compensation awards with both graded and cliff vesting terms. We recognize the cumulative effect of a change in the number of awards expected to vest in compensation expense in the period of change. We have not capitalized any portion of our stock-based compensation. Our forfeiture rate is based on actuals.

During the three months ended **June 30, 2023** **September 30, 2023** and 2022, we recognized \$0.3 million and **\$0.7 million** **\$0.5 million** of stock-based compensation expense related to **equity** RSU and PRSU awards, respectively, under the fair value method. We recognized **\$0.5 million** **\$0.9 million** and **\$1.0 million** **\$1.5 million** of stock-based compensation expense related to **equity** RSU and PRSU awards for the **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

During the three and **six nine** months ended **June 30, 2023** **September 30, 2023**, we granted approximately **408,270** **45,455** and **453,270** **90,782** time-based restricted stock units ("RSUs") with an aggregate fair value of approximately **\$0.2 million** **\$0.1 million** and **\$0.2 million** **\$0.3 million**, respectively. During the three and **six nine** months ended **June 30, 2022** **September 30, 2022**, we granted approximately **946,653** and **960,250** **96,025** time-based RSUs with an aggregate fair value of approximately **\$1.4 million** and **\$1.5 million**, respectively. We granted no time-based RSUs during the three months ended **September 30, 2022**. During the three months ended **September 30, 2023** and 2022, we vested approximately **269,000** **54,999** and **258,000** **11,299** RSUs, respectively. During the **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, we vested approximately **434,000** **98,446** and **380,000** **49,281** RSUs, respectively. A portion of the time-based **Typically** RSUs vest quarterly in equal amounts over the course of eight quarters, and the remainder vest annually in equal amounts over the course of one to three years.

GSE's 1995 long-term incentive program ("LTIP") provides for the issuance of performance-vesting and time-vesting RSUs to certain executives and employees. Vesting of the performance-vesting restricted stock units ("PRSU") is contingent upon the employee's continued employment and the Company's achievement of certain performance goals during designated performance periods as established by the Compensation Committee of the Company's Board of Directors. We recognize compensation expense, net of estimated forfeitures, for PRSUs on a straight-line basis over the performance period based on the probable outcome of achievement of the financial targets. At the end of each reporting period, we estimate the number of PRSUs that are expected to vest, based on the probability and extent to which the performance goals will be met, and take into account these estimates when calculating the expense for the period. If the number of shares expected to be earned changes during the performance period, we make a cumulative adjustment to compensation expense based on the revised number of shares expected to be earned.

16 17

Table of Contents

During the three and six nine months ended June 30, 2023 September 30, 2023, we granted approximately 597,665 59,767 PRSU's. These grants are subject to multiple vesting criteria including reaching a 20-day VWAP of \$1.50 \$15.00 prior to the expiration of the awards, and a time-vesting restriction, which will vest in equal parts over the next 18 quarters. During the three nine months ended June 30, 2022 September 30, 2022, there were no 80,000 PRSUs granted compared to 800,000 during the six months ended June 30, 2022, including 200,000 20,000 cash-settled grants to employees. These grants are subject to multiple vesting criteria including reaching a 20-day VWAP of \$1.94 \$19.40 prior to the expiration of the awards, and a time-vesting restriction, which will vest in equal portions over the next 15 quarters ending December 31, 2025. There were no PRSUs granted during the three months ended September 30, 2023 or September 30, 2022. During the six nine months ended June September 30, 2023 and 2022, we vested 100,000 15,000 PRSUs, of which, 25,000 3,750 PRSUs were cash-settled, respectively. The market vesting criteria for the Q1 2022 PRSU grant was achieved in April 2022 for the 800,000 80,000 PRSUs which will fully vest over the next 10 9 quarters.

We did not grant any stock options for the six nine months ended September June 30, 2023 and 2022.

Note 10 - Debt

Convertible Note

On February 23, 2022, we entered into a Securities Purchase Agreement, as amended, with Lind Global, pursuant to which we issued to Lind Global the 2022 Convertible Note (see Note 1) and a common stock purchase warrant to acquire 1,283,732 128,373 shares of our Common Stock (the "2022 Warrant"). The 2022 Convertible Note does not bear interest but was issued at a \$0.75 million discount ("OID"). We received proceeds of approximately \$4.8 million net of the OID and expenses.

On June 23, 2023, we entered into a an Amended & Restated Agreement to amend the February 23, 2022 Securities Purchase Agreement (Original Note).

	2022	2023	Total			
	ConvertibleNote	ConvertibleNote	ConvertibleNotes			
(in thousands)				2022	2023	Total
	Amount	Amount	Amount	ConvertibleNote	ConvertibleNote	ConvertibleNote
	Amount	Amount	Amount	Amount	Amount	Amount
Convertible Note issued	\$ 5,750	1,800	7,550	\$ 5,750	\$ 1,800	\$ 7,550
Debt discount	(750)	(300)	(1,050)	(750)	(300)	(1,050)
Issuance cost:						
Commitment fee	(175)	(52)	(227)	(175)	(52)	(227)
Balance of investor's counsel fees	(43)	(34)	(77)	(43)	(34)	(77)
Net proceeds of Convertible Note	\$ 4,782	1,414	6,196	\$ 4,782	\$ 1,414	\$ 6,196
Additional OID costs not in original funds flow	(121)	(15)	(136)	(121)	(15)	(136)
Fair value of Warrant Liabilities on issuance	(724)	(1,119)	(1,843)	(724)	(1,119)	(1,843)
Fair value of Conversion Feature on issuance	(306)	(286)	(592)	(306)	(286)	(592)
Allocated OID costs to Warrants	25	30	55	25	30	55
Additional OID costs not in original funds flow	(660)	660	-	(660)	660	-
Interest expense accrued on Convertible Note as of June 30, 2023	2,346	9	2,355			
Principal and interest payments through June 30, 2023	(3,514)	-	(3,514)			
Interest expense accrued on Convertible Note as of September 30, 2023				2,645	135	2,780
Principal and interest payments through September 30, 2023				(4,073)	-	(4,073)
Balance of Convertible Note as of June 30, 2023	\$ 1,828	693	2,521			
Balance of Convertible Note as of September 30, 2023				\$ 1,568	\$ 819	\$ 2,387

The Convertible Note provides for 18 monthly principal repayments of \$319 thousand beginning 180 days from issuance. Payments could be made in the form of cash, shares, or a combination of both at the discretion of GSE.

[Table of Contents](#)

The 2022 Convertible Note is convertible into our Common Stock at any time after the earlier of six months from issuance of the Convertible Note or the date of an effective registration statement filed with the SEC covering the underlying shares. The conversion price of the 2022 Convertible Note is equal to ~~\$1.94~~ \$19.40 per share, subject to customary adjustments. The 2022 Convertible Note matures in February of 2024, although we are permitted to prepay the 2022 Convertible Note, provided that Lind Global shall have the option to convert up to one third of the outstanding principal of the 2022 Convertible Note at a price per share equal to the lesser of the Repayment Share price or the conversion price (as described below). The 2022 Convertible Note is guaranteed by each of our subsidiaries and is secured by a first priority lien on all of our assets. The 2022 Convertible Note is not subject to any financial covenants and events of default under the 2022 Convertible Note are limited to events related to payment, market capitalization, certain events pertaining to conversion and the underlying shares of Common Stock and other customary events including, but not limited to, bankruptcy or insolvency. Upon the occurrence of an event of default, the 2022 Convertible Note will become immediately due and payable at an amount equal to 120% of the outstanding principal, subject to any cure periods described in the 2022 Convertible Note, and the customer may demand that all or a portion of the outstanding principal amount be converted into shares of common stock at the lower of the then current conversion price and 80% of the average of the three lowest daily volume-weighted average price ("VWAPs") during the twenty days prior to delivery of the conversion notice. If there is a change of control of the Company, Lind Global has the right to require us to prepay the outstanding principal amount of the 2022 Convertible Note.

On June 23, 2023, the Company and Lind Global agreed to amend and restate the 2022 Convertible Note. The 2022 Convertible Note, as now amended, is now secured, interest free convertible promissory note in the principal amount of \$2,747,228, such amount being the outstanding balance of the 2022 Convertible Note as of June 23, 2023. Just prior to the amendment, there was an event of default (EOD) related to the total market capitalization provision in the original 2022 Convertible Note. The EOD that occurred was waived, and we incurred a 20% charge included in the amended and restated 2022 Convertible Note, which the Company has treated as additional interest. The 2022 Convertible Note now has a maturity date of August 23, 2024 and is now payable, commencing on July 23, 2023, in twelve (12) consecutive monthly payments of \$186,343 each and two (2) final payments of \$255,556 each. The remainder of the terms of the 2022 Convertible Note, including terms around payment, prepayment, default and conversion, are unchanged.

On October 6, 2023, the Company and Lind Global entered into that certain First Amendment to the 2022 Convertible Note ("A&R Note Amendment"), amending the 2022 Convertible Note. The A&R Note Amendment amended Section 2.1 pertaining to events of default by deleting and replacing Section 2.1(r), which previously provided for an event of default under the Note in the event that the Company's Market Capitalization was below \$7 million for ten (10) consecutive days. As amended, the A&R Note provides that, at any time after January 31, 2024, an event of default will occur in the event that the Company's Market Capitalization is below \$7 million for ten (10) consecutive days. Prior to the Amendment, the "Conversion Price" in Section 3.1(b) of the A&R Note "means \$19.40, and shall be subject to adjustment as provided herein." The A&R Note Amendment amended the definition of "Conversion Price" "the lower of (i) \$19.40 and (ii) eighty-five percent (85%) of the average of the three (3) lowest daily VWAPs during the twenty (20) Trading Days prior to the delivery by the Holder of the applicable notice of conversion."

The 2022 Warrant entitles Lind Global to purchase up to ~~1,283,732~~ 128,373 shares of our Common Stock until February 23, 2027, at an exercise price of ~~\$1.94~~ \$19.40 per share, subject to customary adjustments described therein. The Warrant is recorded at fair value upon issuance of \$0.7 million and is classified as a current liability to be remeasured at each reporting period (see Note 8). The discount created by allocating proceeds to the Warrant results in a debt discount to be amortized as additional interest expense over the term of the Convertible Note.

On June 23, 2023 in connection with the 2022 amended and restated Convertible Note transaction, the Company evaluated the amendment and concluded it qualified as a troubled debt restructuring. The restructuring did not result in a gain or loss but revised the effective interest rate used to amortized the note going forward.

On June 23, 2023, the Company entered into a second Securities Purchase Agreement (the "2023 Purchase Agreement") with Lind Global, pursuant to which the Company issued to Lind Global the 2023 Convertible Note. The Company and Lind Global also amended and restated the 2022 Convertible Note. The closings of the transactions contemplated under the 2023 Purchase Agreement may occur in tranches. The first closing occurred on June 23, 2023, and consisted of the issuance of a secured, two-year interest free convertible promissory note with a funding amount of \$1,500,000 and a principal amount of \$1,800,000 (the ~~2023~~ 2023 Convertible Note) and the issuance of common stock purchase warrant to acquire ~~4,264,271~~ 426,427 shares of the Company's common stock (the "2023 Warrant" and, together with the 2022 Warrant, the "Warrants"). The proceeds from the transactions contemplated by the 2023 Purchase Agreement were for general working capital purposes and other corporate purposes.

On October 6, 2023, the Company and Lind Global entered into that certain First Amendment to Senior Convertible Promissory Note, amending the Company's 2023 Convertible Note (the "Note Amendment"). The Note Amendment amended Section 2.1 of the 2023 Convertible Note pertaining to events of default by deleting and replacing Section 2.1(r), which previously provided for an event of default under the Note in the event that the Company's Market Capitalization (as defined in the Note) was below \$7 million for ten (10) consecutive days. As amended, the Note provides that, at any time after January 31, 2024, an event of default will occur in the event that the Company's Market Capitalization is below \$7 million for ten (10) consecutive days.

Commencing one year after the issuance of the 2023 Convertible Note, the Company shall pay the outstanding principal amount of the 2023 Convertible Note in twelve (12) consecutive monthly payments of \$150,000 each. At the option of the Company, the monthly payment can be made in cash, shares of the common stock of the Company (the "Repayment Shares") at a price based on 90% of the average five (5) consecutive daily VWAPs during the twenty (20) days prior to the payment date, or a combination of cash and Repayment Shares, subject to the terms of the 2023 Convertible Note. The Repayment Shares must either be eligible for immediate resale under Rule 144 or be registered. The number of Repayment Shares is limited such that, when added to the number of shares of common stock issued and issuable pursuant to the transactions contemplated by the 2023 Purchase Agreement, it may not exceed ~~4,937,271~~ 493,727 shares of common stock unless the Company obtains stockholder approval to issue additional Repayment Shares. The holder of the 2023 Convertible Note may elect with respect to no more than two (2) of the above described monthly payments to increase the amount of such monthly payment up to \$300,000 each in Repayment Shares upon notice to the Company. Any such increased payment shall be deducted from the amount of the last monthly payment

owed under the 2023 Convertible Note. The Company can prepay Lind Global all the outstanding principal amount of the 2023 Convertible Note, provided that Lind Global shall have the option to convert up to one third (1/3) of the outstanding principal amount of the 2023 Convertible Note at a price per share equal to the lesser of the Repayment Share price or the conversion price (as described below).

18

[Table of Contents](#)

Upon the occurrence of an event of default as described in the 2023 Convertible Note, the 2023 Convertible Note will become immediately due and payable at the default premium described in the 2023 Convertible Note, subject to any cure periods described in the 2023 Convertible Note. Events of default include, but are not limited to, a payment default on any other indebtedness in excess of \$250,000; the shares no longer publicly being traded or cease to be listed on a trading market; if after six months, the shares are not available for immediate resale under Rule 144; and the Company's market capitalization is below \$7,000,000 for ten (10) consecutive days. Upon an event of default, subject to any applicable cure period, the holder of the 2023 Convertible Note can, among other things, accelerate payment of the 2023 Convertible Note and demand full payment and demand that all or a portion of the outstanding principal amount be converted into shares of common stock at the at the lower of the then current conversion price and 85% of the average of the three (3) lowest daily VWAPs during the twenty (20) days prior to delivery of the conversion notice. If there is a change of control of the Company, Lind Global has the right to require the Company to prepay 105% of the outstanding principal amount of the 2023 Convertible Note. A change of control includes a change in the composition of a majority of the Board of Directors of the Company, at a single shareholder meeting, a change, without prior written consent of Lind Global where a majority of the individuals that were directors as of June 20, 2023 cease to be directors of the Company (provided that any individual who is nominated by the board of directors (or a duly authorized committee thereof) as of June 20, 2023 and is elected or appointed as a director of the Company shall be deemed a member of the board of directors of the Company for all such purposes), a shareholder acquiring beneficial ownership of more than 50% of the common stock of the Company, or the sale or other disposition of the Company of all or substantially all of its assets. The 2023 Convertible Note is convertible into common stock of the Company at any time after the earlier of six (6) months from issuance or the date the registration statement is effective, provided that no such conversion may be made that would result in beneficial ownership by Lind Global and its affiliates of more than 4.99% of the Company's outstanding shares of common stock. The conversion price of the 2023 Convertible Note is equal to \$0.50, \$5.00, subject to customary adjustments.

20

The 2023 Warrant entitles Lind Global to purchase up to 4,264,271 426,427 shares of common stock of the Company until the earlier of (a) June 23, 2028 and (b) a merger, sale event or other reclassification of the Company's common stock, at an exercise price of \$0.50 \$5.00 per share, subject to customary adjustments described therein. The 2023 Warrant is in addition to the 2022 Warrant.

The Company evaluated the Convertible Notes and concluded that certain embedded redemption features are required to be accounted for as a derivative liability. Embedded redemption features were recorded at fair value upon issuance of \$0.3 million and are classified as current liabilities to be remeasured at each reporting period (see Note 8). The discount created by allocating proceeds to the derivative liability results in a debt discount to be amortized as additional interest expense over the term of the Convertible Notes. The Warrants are accounted for as a derivative liability based on certain features included within the Convertible Note which caused the Company to not be able to assert that it would have sufficient shares in all cases to be able to settle the Warrants. As such, the proceeds (approximately \$4.8 million, net of original issue discounts and other payments to lender) were allocated first to the fair value of the Warrants with the residual allocated to the Convertible Notes host instrument. The proceeds allocated to the Convertible Notes were further allocated first to the bifurcated derivative liability based on its fair value with the residual being allocated to the Convertible Notes host instrument.

Upon issuance of the 2023 Convertible Note, the Company re-evaluated the 2022 Convertible Note, in accordance with ASC 815-40-25-10 and its sequencing policy, and concluded that the embedded conversion option is required to be bifurcated and accounted for as a derivative liability as a result of the Company not being able to assert that it would have sufficient shares in all cases to be able to settle the conversion of the 2022 Convertible Note. The embedded conversion option will be combined with the bifurcated redemption features as a single derivative and is classified as a current liability to be remeasured at each reporting period. The discount resulting from bifurcating the embedded conversion option will be amortized as additional interest expense over the term of the 2022 Convertible Note.

The direct and incremental costs incurred are allocated to the Convertible Note and the Warrant based on a systematic and rational approach. The costs allocated to the Warrants have been expensed as incurred while those allocated to the Convertible Note have been capitalized and will be amortized as interest expense over the life of the Convertible Notes based on the effective interest rate. The Company will record ongoing changes to the fair value of the derivative liabilities as other non-operating income (expense).

The Convertible Notes were are evaluated as a potentially dilutive security in both periods of loss and income for diluted earnings per share purposes. The Warrants are considered a participating security and was not included in the calculation of basic earnings per share for the period ended June 30, 2023 September 30, 2023 as Company reflected net loss for this period. The Warrant will be included in the calculation of basic diluted earnings per share in periods of net income.

The issuance costs with respect to the Convertible Notes, which are recorded as a debt discount, are deferred and amortized using the effective interest method as additional interest expense over the terms of the Convertible Note at an effective interest rate of 68.6%.

19

[Table of Contents](#)

The Company incurred total interest expense related to the Convertible Notes of \$1.1 million \$1.5 million, including \$0.5 million default charge and the amortization of the various discounts for the six nine months ended June 30, 2023 September 30, 2023, respectively. The Company incurred total interest expense related to the Convertible Notes of \$0.4 million for both the three months ended September 30, 2023 and 2022.

Revolving Line of Credit

In February 2022, using proceeds from the Convertible Note, we repaid in full, all outstanding indebtedness of \$1.8 million owed to Citizens, and the on our Amended and Restated Credit and Security Agreement between us, our subsidiaries, and Citizens Bank, N.A. ("Citizens") was terminated. Certain letters of credit remain in place with Citizens. As of June 30, 2023 September 30, 2023, we had four letters of credit totaling \$1.1 million outstanding to certain customers which were secured with restricted cash.

Note 11 - Product Warranty

We accrue estimated warranty costs at the time the related revenue is recognized and based on historical experience and projected claims. Our System Design and Build contracts generally include a one year base warranty on the systems. The portion of our warranty provision expected to be incurred within twelve months is classified as current within accrued warranty and totals \$276 \$265 thousand, and the remaining \$151 \$137 thousand is classified as long-term within other non-current liabilities.

The activity in the accrued warranty accounts during the current period is as follows:

<i>(in thousands)</i>		
Balance at January 1, 2023	\$ 503	\$ 503
Current period recovery	(46)	(73)
Current period claims	(27)	(29)
Currency adjustment	(3)	1
Balance at June 30, 2023	\$ 427	
Balance at September 30, 2023		\$ 402

Note 12 - Revenue

We account for revenue in accordance with ASC 606, Revenue from Contracts with Customers. We primarily generate revenue through three distinct revenue streams: (1) System Design and Build ("SDB"), (2) Software and (3) Training and Consulting Services across our Engineering and Workforce Solutions segments. We recognize revenue from SDB and software contracts mainly through our Engineering segment. We recognize training and consulting service contracts through both segments.

The following table represents a disaggregation of revenue by type of goods or services for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, along with the reporting segment for each category:

<i>(in thousands)</i>								
	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Engineering								
System Design and Build	\$ 2,139	\$ 2,042	\$ 3,609	\$ 3,443	\$ 1,192	\$ 1,537	\$ 4,801	\$ 4,991
Over time	2,139	2,042	3,609	3,443	1,192	1,537	4,801	4,991
Software and Support	1,100	1,178	2,289	1,937	1,373	2,010	3,662	3,560
Point in time	55	87	368	175	259	530	627	662
Over time	1,045	1,091	1,921	1,762	1,114	1,480	3,035	2,898
Training and Consulting Services	5,805	4,733	10,088	8,970	6,092	4,505	16,180	13,851
Point in time	101	727	297	1,145	131	195	428	428
Over time	5,704	4,006	9,791	7,825	5,961	4,310	15,752	15,752
Workforce Solutions								
Training and Consulting Services	3,343	4,792	7,274	10,670	2,909	3,846	10,183	14,516
Point in time	90	-	209	-	16	52	225	52
Over time	3,253	4,792	7,065	10,670	2,893	3,794	9,958	14,464
Total revenue	\$ 12,387	\$ 12,745	\$ 23,260	\$ 25,020	\$ 11,566	\$ 11,898	\$ 34,826	\$ 36,918

Table of Contents

The following table reflects revenue recognized in the reporting periods presented that was included in contract liabilities from contracts with customers as of the beginning of the periods presented:

<i>(in thousands)</i>								
	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue recognized in the period from amounts included in billings in excess of revenue earned at the beginning of the period	\$ 1,255	\$ 1,036	\$ 3,105	\$ 2,492	\$ 466	\$ 174	\$ 3,571	\$ 2,666

Note 13 - Income Taxes

The following table presents the provision for income taxes and our effective tax rates:

(in thousands)

	Three months ended		Six months ended		Three months ended		Nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
(Loss) income before income taxes	\$ (1,470)	\$ (1,458)	\$ (4,460)	\$ (4,725)				
Provision for (benefit from) income taxes	28	(57)	(11)	110				
Loss before income taxes					\$ (2,092)	\$ (9,210)	\$ (6,552)	\$ (13,935)
Benefit from income taxes					(70)	(218)	(81)	(108)
Effective tax rate	(1.90)%	3.9%	0.25%	(2.3)%	3.35%	2.4%	1.24%	0.8%

Our income tax expense for the interim periods presented is determined using an estimate of our annual effective tax rate, adjusted for discrete items arising in that quarter. Total income tax expense (benefit) benefit for the three and six nine months ended June 30, 2023 September 30, 2023 was comprised mainly of current foreign tax benefit, deferred state tax benefit related to the portion of goodwill which cannot be offset by deferred tax assets and state tax expense. Total income tax expense (benefit) benefit for the three and six nine months ended June 30, 2022 September 30, 2022 was comprised mainly of current state and foreign tax expense benefit and deferred federal and state tax expense benefit related to the portion of goodwill which cannot be offset by deferred tax assets, assets, and state tax expense.

Our effective income tax rate was (1.9)% and 0.25% for the three and six months ended June 30, 2023, respectively. For the three and six nine months ended June 30, 2023 September 30, 2023, the difference between our income tax expense (benefit) benefit at an effective tax rate of (1.90)% 3.35% and 0.25% 1.24% respectively, and the U.S. statutory federal income tax rate of 21% was primarily due to accruals related to uncertain tax positions for certain foreign tax contingencies, a change in valuation allowance in our U.S. entity, the permanent disallowance of interest expense related to disqualified debt, and discrete item adjustments for U.S. and foreign taxes. For the three and six nine months ended June 30, 2022 September 30, 2022, the difference between our income tax expense (benefit) benefit at an effective rate of 3.9% 2.4% and (2.3)% 0.8% respectively, and the U.S. statutory federal income tax rate of 21% was primarily due to accruals related to uncertain tax positions for certain foreign tax contingencies, a change in tax valuation allowance in our U.S. entity, the permanent disallowance of interest expense related to disqualified debt, and discrete item adjustments for U.S. and foreign taxes.

Because of our net operating loss carryforwards, we are subject to U.S. federal and state income tax examinations from the year 2003 and forward and are subject to foreign tax examinations by tax authorities for years 2017 and forward.

An uncertain tax position taken or expected to be taken in a tax return is recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Interest and penalties related to income taxes are accounted for as income tax expense.

We recognize deferred tax assets to the extent that it is believed that these assets are more likely than not to be realized. We have evaluated all positive and negative evidence and determined that we will continue to assess a full valuation allowance on our U.S., China, and Slovakia net deferred assets as of June 30, 2023 September 30, 2023. We have determined that it is not more likely than not that the Company will realize the benefits of its deferred taxes in the U.S. and foreign jurisdictions.

Note 14 - Leases

We have lease agreements with lease and non-lease components, which are accounted for as a single lease. We apply a portfolio approach to effectively account for the operating lease ROU assets and liabilities. The operating lease ROU amortization was \$230 \$311 thousand and \$320 \$467 thousand for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. For the three months ended June 30, 2023 September 30, 2023 and 2022, we recorded ROU amortization of \$109 \$81 thousand and \$134 \$159 thousand, respectively.

23

Lease contracts are evaluated at inception to determine whether they contain a lease and whether we obtain the right to control an identified asset. The following table summarizes the classification of operating ROU assets and lease liabilities on the consolidated balance sheets:

(in thousands)

Operating Leases	Classification	As of		Classification	As of	
		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Leased Assets						
Operating lease - right of use assets	Long term assets	\$ 609	\$ 506	Long term assets	\$ 518	\$ 506
Lease Liabilities						
Operating lease liabilities - Current	Other current liabilities	228	418	Other current liabilities	226	418

Operating lease liabilities	Long term liabilities	358	160	Long term liabilities	315	160
		<u>\$ 586</u>	<u>\$ 578</u>		<u>\$ 541</u>	<u>\$ 578</u>

On June 7, 2023 we entered into an office lease agreement to lease 2,704 square feet in Fort Worth, Texas for an initial lease term ending November 7, 2030. We entered into a lease agreement to lease 2,200 square feet of office space in Columbia, Maryland on September 26, 2022, through November 30, 2024.

On December 15, 2022, we terminated our lease for 1332 Londontown Boulevard, Eldersburg, Maryland (our former headquarters) and entered into a release and settlement agreement whereby we agreed to pay, and the landlord agreed to accept, a reduced monthly payment through May 1, 2023 in exchange for early termination of the lease. As a part of this agreement, we assigned both active subleases to the landlord effective as of the execution date.

The table below summarizes lease income and expense recorded in the consolidated statements of operations incurred during the three and **six nine** months ended **June 30, 2023** **September 30, 2023** and 2022, (in thousands):

Lease Cost	Classification	Three months ended		Six months ended		Classification	Three months ended		Nine months e	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022		September 30, 2023	September 30, 2022	September 30, 2023	Sep
Operating lease cost (1)	Selling, general and administrative expenses	\$ 115	\$ 174	\$ 243	\$ 360	Selling, general and administrative expenses	\$ 90	\$ 174	\$ 333	\$
Short-term leases costs (2)	Selling, general and administrative expenses	10	15	25	30	Selling, general and administrative expenses	2	15	27	
Sublease income (3)	Selling, general and administrative expenses	-	(19)	-	(37)	Selling, general and administrative expenses	-	(18)	-	
Net lease cost		<u>\$ 125</u>	<u>\$ 170</u>	<u>\$ 268</u>	<u>\$ 353</u>		<u>\$ 92</u>	<u>\$ 171</u>	<u>\$ 360</u>	<u>\$</u>

(1) Includes variable lease costs which are immaterial.

(2) Includes leases maturing less than twelve months from the report date.

(3) Sublease portfolio consists of two tenants, which **sublease subleased** parts of our principal executive office located at 1332 Londontown Blvd, Suite 200, Sykesville, MD.

22 24

[Table of Contents](#)

The Company is obligated under certain noncancelable operating leases for office facilities and equipment. Future minimum lease payments under noncancelable operating leases as of **June 30, 2023** **September 30, 2023** are as follows:

(in thousands)	Gross Future Minimum Lease Payments
(in thousands)	
2023 remainder	\$ 123 62
2024	223 220
2025	96
2026	92 91
2027	127 142
Thereafter	-
Total lease payments	\$ 661 611
Less: Interest	75 70
Present value of lease payments	<u>\$ 586 541</u>

We calculated the weighted-average remaining lease term, presented in years below and the weighted-average discount rate for our operating leases, and we use the in

Lease Term and Discount Rate

Weighted-average remaining lease term (years)

Operating leases

Weighted-average discount rate

Operating leases

The table below sets out the classification of lease payments in the consolidated statement **statements** of cash flows.

(in thousands)

Cash paid for amounts included in measurement of liabilities

Operating cash flows used in operating leases

Note 15 - Segment Information

We have two reportable business segments. The Engineering segment provides simulation, training and engineering products and services delivered across the breadth

Workforce Solutions segment provides specialized workforce solutions primarily to the nuclear industry, working at clients' facilities. This business is managed through c

The following table sets forth the revenue and operating results attributable to each reportable segment and includes a reconciliation of segment revenue to consolidat

(in thousands)	Three months ended		
	September 30, 2023	September 30, 2022	September 30, 2021
Revenue:			
Engineering	\$ 8,657	\$ 8,052	\$ 7,953
Workforce Solutions	2,909	3,846	4,792
Total revenue	11,566	11,898	12,745
Gross Profit			
Engineering	3,346	2,654	2,568
Workforce Solutions	370	602	604
Total gross profit	3,716	3,256	3,172
Operating loss			
Engineering	(7)	(1,403)	(1,403)
Workforce Solutions	(1,055)	(7,646)	(7,646)
Provision for legal settlement	(750)	-	-
Operating loss	(1,812)	(9,049)	(9,049)
Interest expense, net	(430)	(422)	(422)
Change in fair value of derivative instruments, net	180	263	263
Other loss, net	(30)	(2)	(2)
Loss before income taxes	\$ (2,092)	\$ (9,210)	\$ (9,210)

23

[Table of Contents](#)

(in thousands)	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue:				
Engineering	\$ 9,044	\$ 7,953	\$ 15,986	\$ 14,350
Workforce Solutions	3,343	4,792	7,274	10,670
Total revenue	12,387	12,745	23,260	25,020
Gross Profit				
Engineering	2,742	2,568	4,622	4,383
Workforce Solutions	473	604	988	1,216
Total gross profit	3,215	3,172	5,610	5,599

Operating loss				
Engineering	(617)	(1,713)	(3,041)	(4,108)
Workforce Solutions	(159)	(10)	(518)	(169)
Operating loss	(776)	(1,723)	(3,559)	(4,277)
Interest expense, net	(767)	(358)	(1,053)	(506)
Change in fair value of derivative instruments, net	171	695	240	114
Other income, net	(98)	(72)	(88)	(56)
Loss before income taxes	<u>\$ (1,470)</u>	<u>\$ (1,458)</u>	<u>\$ (4,460)</u>	<u>\$ (4,725)</u>

Note 16 - Commitments and Contingencies

Three former employees of Absolute Consulting, Inc. and Hyperspring, LLC, filed putative class action lawsuits against the Company, alleging that the Company failed to pay them for work performed. On August 22, 2023, Plaintiffs in Adams, Waldecker and Pharr and GSE Systems, Inc., Hyperspring and Absolute participated in private mediation. The mediation was successful. The parties' settlement agreement was executed on October 30, 2023 and will result in the dismissal of all three cases. In addition to customary terms, GSE Systems, Hyperspring and Absolute agreed to indemnify the Company for all costs and expenses incurred by the Company in connection with the litigation. Per ASC 450 *Accounting for Contingencies*, the Company reviews potential items and areas where a loss contingency could arise. In the opinion of management, we are not aware of any other contingencies that would require accrual or disclosure.

[Table of Contents](#)

Cautionary Statement Regarding Forward-Looking Statements

This report and the documents incorporated by reference herein contain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933 and Section 27A of the Securities Exchange Act of 1934. Other factors and assumptions not identified above were also involved in the formation of these forward-looking statements and the failure of such other assumptions could cause actual results to differ materially from those projected in the forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, that the forward-looking statements are based on the current expectations and assumptions of our management as of the date of this report.

[Table of Contents](#)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

We are a leading provider of professional and technical engineering, staffing services and simulation software to clients in the power and process industries. Our primary business is to provide engineering and simulation services to power and process industries.

General Business Environment

We operate through two reportable business segments: Engineering and Workforce Solutions. Each segment focuses on delivering solutions to customers within our target markets.

Engineering (approximately 69% 71% of revenue for the six nine months ended June 30, 2023 September 30, 2023)

Our *Engineering* segment primarily encompasses our power plant high-fidelity simulation solutions, technical engineering services for ASME programs, power plant thermal engineering, and power plant performance optimization.

Our *Engineering* segment also provides the following: (1) in-service testing for engineering programs focused on ASME OM code including Appendix J, balance of plant performance testing, and (2) power plant performance optimization.

[Table of Contents](#)

Workforce Solutions (approximately 31% 29% of revenue for the six nine months ended June 30, 2023 September 30, 2023)

The *Workforce Solutions* segment supports entire project lifecycles and provides highly specialized and skilled talent throughout the energy and engineering industries. It includes the recruitment, selection, and placement of engineering and technical talent.

Financial information is provided in Note 15 of the accompanying consolidated financial statements regarding our business segments.

Business Strategy

Serve existing customers and agencies with compelling solutions with a focus on decarbonization:

Our objective has been to create a leading business focused on decarbonizing the power industries by providing a diverse set of highly unique and essential services and

Cross sell and upsell into existing markets:

For the past several years, we **We** have devoted considerable time and effort **over the past several years** to diversify both **the capabilities** of the Company segment's **our**

[Table of Contents](#)

Our Company is positioned to take advantage of the recovery if and when it occurs. As a result of a rejuvenated cross-sell and upsell effort, we are equipped to take this

Organic growth through new and compelling technology:

While managing through the pandemic, in parallel, our leadership was investigating compelling opportunities by which we could utilize our capabilities to create significant

Focus on compelling adjacencies in clean energy, defense, and national labs:

Research and development (R&D). We invest in R&D to deliver unique solutions that add value to our end-user markets. Our software tools leverage the high-end expertise

One area of significant recent enhancement is in improving the thermal performance of power plants. We have introduced and continually enhanced the next generation of

In the area of engineering simulations, we deliver nuclear core and Balance-of-Plant modeling and visualization systems to the industry. To address the nuclear industry's

Additionally, enhancements to training content and delivery continue through the EnVision On-Demand platform, allowing our customers to access training content from

[Table of Contents](#)**Strengthen and develop our talent while delivering high-quality solutions.**

Over the past several years, we have assembled a unique and highly experienced group of talent through organic growth and strategic acquisition. Our engineering team

Our experienced employees and management team are our most valuable resources. The continued integration of our team in parallel with attracting, training, and retaining

The Company is not immune to the intense pressure and business risks associated with attracting and retaining talented professionals in this current environment. We

Employees

As of **June 30, 2023** **September 30, 2023**, we had approximately **269,275** employees, which includes approximately **189,195** employees in our Engineering segment and approximately

Backlog

As of **June 30, 2023** **September 30, 2023**, we had approximately **\$34.4 million** **\$37.6 million** of total gross revenue backlog, which included **\$26.9 million** **\$31.4 million** of Engineering

Backlog is expressed in terms of gross revenue and, therefore, may include significant estimated amounts of third-party or pass-through costs to subcontractors and other

[Table of Contents](#)**Results of Operations**

The following table sets forth our results of operations, expressed in thousands of dollars and as a percentage of revenue:

(in thousands)

Revenue

Cost of revenue

Gross profit

Operating expenses:

Selling, general and administrative

Research and development

Goodwill and intangible asset impairment charge

Depreciation

Amortization of intangible assets

Total operating expenses

Operating loss

Interest expense, net

Change in fair value of derivative instruments, net

Other income, net

Other loss, net

Loss before income taxes

Provision for (benefit from) income taxes

Benefit from income taxes

Net loss

Revenue

Consolidated revenue for the three months ended **June 30, 2023** **September 30, 2023** totaled **\$12.4 million** **\$11.6 million**, which was 3% less than the **\$12.7 million** **\$11.9 million**

(in thousands)

Revenue:

Engineering

Workforce Solutions

Total revenue

Engineering revenue for the three months ended **June 30, 2023** **September 30, 2023** totaled **\$9.0 million** **\$8.7 million**, which was a **14%** **8%** increase from the **\$8.0 million** **\$8.0 million**

Engineering revenue for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** totaled **\$16.0 million** **\$24.6 million**, which was a **11%** **10%** increase from the **\$14.4 million** **\$24.4 million**

For the three months ended **June 30, 2023** **September 30, 2023**, Workforce Solutions revenue decreased by **30%** **24%** to **\$3.3 million** **\$2.9 million** compared to revenue of **\$4.7 million** **\$3.8 million**

For the **six** **nine** months ended **June 30, 2023** **September 30, 2023**, Workforce Solutions revenue decreased by **32%** **30%** to **\$7.3 million** **\$10.2 million** compared to revenue of **\$10.5 million** **\$14.6 million**

[Table of Contents](#)

As of June 30, 2023, our backlog was \$34.4 million, of which, \$26.9 million was attributed to the Engineering segment and \$7.5 million was attributed to the Workforce Solutions segment.

Gross Profit

Gross profit was **\$3.2 million** **\$3.7 million** and **26.0%** **32.1%** of revenue and **\$3.2 million** **\$3.3 million** and **24.9%** **27.4%** of revenue for the three months ended **June 30, 2023** **September 30, 2023**

(in thousands)

Gross profit:

Engineering

Workforce Solutions

Total gross profit

The Engineering segment's gross profit increased by **\$0.2 million** **\$0.7 million** during the three months ended **June 30, 2023** **September 30, 2023** over the three months ended **June 30, 2022** **September 30, 2022** due to **large simulator projects**.

The Workforce Solutions segment's gross profit decreased by \$0.1 million \$0.2 million during the three months ended June 30, 2023 September 30, 2023 over the three months ended June 30, 2022 September 30, 2022.

Selling, general and administrative expenses ("SG&A")

Selling, general and administrative (SG&A) expenses totaled \$3.7 million \$4.3 million and \$4.4 million \$4.3 million for the three months ended June 30, 2023 September 30, 2023 and June 30, 2022 September 30, 2022, respectively.

(in thousands)

Corporate charges
Business development
Facility operation & maintenance (O&M)
Credit loss expense (recovery)
Other
Total

[Table of Contents](#)

Corporate charges

During the three months ended June 30, 2023 September 30, 2023, corporate charges decreased increased by \$0.9 million \$0.1 million over the same period of the prior year.

Business development expenses

Business development expenses increased \$341 decreased \$49 thousand during the three months ended June 30, 2023 September 30, 2023 over the same period of the prior year.

Facility operation & maintenance ("O&M")

Facility O&M expenses decreased \$70 \$97 thousand for three months ended June 30, 2023 September 30, 2023, compared to the same period in 2022. Facility O&M expenses decreased \$100 \$100 thousand for the same period in 2022.

Credit loss expense (recovery)

We recorded a \$(2) \$(6) thousand credit loss (recovery) expense during the three months ended June 30, 2023 September 30, 2023 and \$97 thousand no credit loss expense during the same period of the prior year.

Research and development

Research and development costs consist primarily of software engineering personnel and other related costs. Research and development costs, net of capitalized software, totaled \$1.1 million \$1.1 million for the three months ended June 30, 2023 September 30, 2023 and \$1.1 million \$1.1 million for the same period of the prior year.

Depreciation

We recorded depreciation expense of \$53 \$43 thousand and \$72 \$69 thousand for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. Depreciation expense decreased \$10 \$10 thousand for the same period in 2022.

Amortization of intangible assets

Amortization expense related to definite-lived intangible assets totaled \$131 \$108 thousand and \$231 \$209 thousand for the three months ended June 30, 2023 September 30, 2023 and \$231 \$209 thousand for the same period of the prior year.

Interest expense, net

Interest expense totaled \$767 \$430 thousand and \$358 \$422 thousand for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. Interest expense decreased \$337 \$18 thousand for the same period in 2022.

[Table of Contents](#)

Other loss, net

For the three months ended June 30, 2023 September 30, 2023 and 2022, we recognized other loss, net of \$(98) \$(30) thousand and \$(72) \$(2) million, respectively. For the same period in 2022, we recognized other loss, net of \$(72) \$(2) million.

Income tax (benefit) expense

Income tax expense for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items arising in that quarter. Total income tax expense for the three months ended June 30, 2023 September 30, 2023 and 2022 was \$0.1 million \$0.1 million and \$0.1 million \$0.1 million, respectively.

Our effective income tax rate was (1.90)% and 0.25% for the three and six months ended June 30, 2023, respectively.

For the three and ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023, the difference between our income tax benefit, at an effective tax rate of (1.90)% ~~3.35%~~ and |

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements, Management makes several estimates and assumptions that affect our reported amounts of assets, liabilities, rever

Liquidity and Capital Resources

As of ~~June 30, 2023~~ September 30, 2023, our cash, cash equivalents and restricted cash totaled ~~\$3.4 million~~ \$3.5 million, compared to \$4.4 million as of December 31, 2022.

As of ~~June 30, 2023~~ September 30, 2023, we have current restricted cash and long-term restricted cash of ~~\$0.5 million~~ \$0.4 million and \$1.1 million, respectively. We have r

Though management believes the Company is positioned for growth and a rebound from the COVID-19 pandemic, the Company has determined that there is substant

[Table of Contents](#)

During the three months ended June 30, 2023 management initiated cost saving measures to address going concern doubts, such as, headcount reductions, the new Lir

For the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 and 2022, net cash used in operating activities were \$0.8 million and net cash provided by operating act

Net cash used in investing activities totaled ~~\$0.3 million~~ \$0.4 million for the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 and 2022.

For the ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023 and 2022, net cash provided by ~~used in~~ financing activities was \$0.1 million ~~\$(0.7) million~~ and net cash pr

Credit Facilities

On February 23, 2022, the Company issued a Convertible Note (further described in Note 10 to Consolidated Financial Statements). The proceeds received from the Con

Non-GAAP Financial Measures

Adjusted EBITDA

References to "EBITDA" mean net (loss) income, ~~loss~~, before considering interest expense, (benefit from) provision for ~~from~~ income taxes, depreciation and amortization

Net loss

Interest expense, net

(Benefit from) provision for income taxes

Benefit from income taxes

Depreciation and amortization

EBITDA

Stock-based compensation expense

Change in fair value of derivative instruments, net

Goodwill and intangible asset impairment charge

Advisory fees

Provision for legal settlement

Adjusted EBITDA

[Table of Contents](#)

Adjusted Net Loss and Adjusted Loss per Share Reconciliation

References to Adjusted Net Loss excludes ~~certain items that are not directly related to the stock-based compensation expense, the~~ Company's core operating performa

(in thousands)

Net loss
Stock-based compensation expense
Change in fair value of derivative instruments, net
Goodwill and intangible asset impairment charge
Advisory fees
Provision for legal settlement
Amortization of intangible assets related to acquisitions
Adjusted net loss

Adjusted net loss per common share – diluted

Weighted average shares outstanding used to compute adjusted net loss per share - diluted⁽¹⁾

(1) During the three and six nine months ended June 30, 2023 September 30, 2023, we reported a U.S. GAAP net loss and an adjusted net loss. Accordingly, there were no

(1) During the three and six nine months ended June 30, 2022 September 30, 2022, we reported a U.S. GAAP net income and an adjusted net loss. Accordingly, there were

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Not required of a smaller reporting company.

[Table of Contents](#)

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures, and

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the most recent fiscal quarter that have materially affected or are reasonably

Limitation of Effectiveness of Controls

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and

[Table of Contents](#)

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, involved in ordinary routine litigation incidental to the conduct of our business. Neither we nor any of our subsidiaries are a party to, nor is any

Item 1A. Risk Factors

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

[Table of Contents](#)

Item 6. Exhibits

[31](#)

[31](#)

[32](#)

10

10

10

10

10

10

[Table of Contents](#)

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto

Date: August 16, 2023November 14, 2023

I, Kyle J. Loudermilk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GSE Systems, Inc.;
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 to make the statements m
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial conditi

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15c-15) and have performed the following procedures:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that the registrant's disclosure controls and procedures are effective in ensuring that the registrant complies with the requirements of the Securities Act and the Securities Exchange Act of 1934, and the rules and regulations thereunder, and that the registrant is able to make accurate and timely disclosure of the information required to be disclosed by the registrant in the reports that the registrant is required to file with the SEC;
 - 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 that the registrant's financial statements are prepared in accordance with GAAP and that the registrant's financial statements are not materially misstated;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the registrant's disclosure controls and procedures;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audit committee, the following:
 - 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 registrant's ability to record, process, summarize, and report financial information;
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2023 November 14, 2023

I, Emmett A. Pepe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GSE Systems, Inc.;
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 to make the statements made in this report true and accurate in all material respects;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition and results of operations of the registrant;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 and 15c-15) and have performed the following procedures:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that the registrant's disclosure controls and procedures are effective in ensuring that the registrant complies with the requirements of the Securities Act and the Securities Exchange Act of 1934, and the rules and regulations thereunder, and that the registrant is able to make accurate and timely disclosure of the information required to be disclosed by the registrant in the reports that the registrant is required to file with the SEC;
 - 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 that the registrant's financial statements are prepared in accordance with GAAP and that the registrant's financial statements are not materially misstated;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the registrant's disclosure controls and procedures;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audit committee, the following:
 - 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 registrant's ability to record, process, summarize, and report financial information;
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 16, 2023 November 14, 2023

In connection with the quarterly report on Form 10-Q of GSE Systems, Inc. (the "Company") for the quarter ended **June 30, 2023** **September 30, 2023** as filed with the Sec

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the C

Date: **August 16, 2023** **November 14, 2023**

DISCLAIMER

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