

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

Form 10-K

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

For the fiscal year ended **December 25, 2021**

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 No. **001-14217**

ENGlobal Corporation

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

**11740 Katy Fwy - Energy Tower III, 11th floor
Houston, TX**

(Address of principal executive offices)

88-0322261

(I.R.S Employer
Identification No.)

77079

(Zip code)

Registrant's telephone number, including area code: **(281) 878-1000**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value	ENG	NASDAQ

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shortened 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 shorter period that the registrant was required to submit such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 25, 2021 (the last business day of the registrant's most recently completed second fiscal quarter) was \$62,193,407 (based upon the closing price for shares of common stock as reported by the NASDAQ on June 25, 2021).

The number of shares outstanding of the registrant's \$0.001 par value common stock on March 10, 2022 is as follows: 35,230,675 shares.

Documents incorporated by reference: Responses to Items 10, 11, 12, 13 and 14 of Part III of this Report are incorporated herein by reference to information contained in the Company's definitive proxy statement for its 2022 Annual Meeting of Stockholders or an amendment to this Report to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Report.

ENGLOBAL CORPORATION

2021 ANNUAL REPORT ON FORM 10-K

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PART I

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Report"), including "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as oral statements made by the Company and its officers, directors or employees, contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements are based on management's beliefs, current expectations, estimates and projections about the industries that the Company and its subsidiaries' serve, the economy and the Company in general. The words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate" and similar expressions are intended to identify such forward-looking statements; however, this Report also contains other forward-looking statements in addition to historical information. Although we believe that the expectations reflected in the forward-looking statements are reasonable, such forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from historical results or from any results expressed or implied by such forward-looking statements. The Company cautions readers that the following important factors and the risks described in Part I, Item 1A. Risk Factors of this Report, among others, could cause the Company's actual results to differ materially from the forward-looking statements contained in this Report: (1) the impact of the COVID-19 pandemic and of the actions taken by governmental authorities, individuals and companies in response to the pandemic on our business, financial condition, and results of operations, including on our revenues and profitability; (2) our ability to increase our backlog, revenue and profitability; (3) our ability to realize revenue projected in our backlog and our ability to collect accounts receivable and process accounts payable in a timely manner; (4) the effect of economic downturns and the volatility and level of oil and natural gas prices, including the severe disruptions in the worldwide economy, including the global demand for oil and natural gas, resulting from the COVID-19 pandemic; (5) the uncertainties related to the U.S. Government's budgetary process and their effects on our long-term U.S. Government contracts; (6) our ability to identify, evaluate, and complete any transactions in connection with our review of strategic transactions; (7) the impact of the announcement of our review of strategic transactions on our business, including our financial and operating results, or our employees, suppliers and customers; (8) our ability to realize project awards or contracts on our pending proposals, and the timing, scope and amount of any related awards or contracts; (9) our ability to retain existing customers and attract new customers; (10) our ability to accurately estimate the overall risks, revenue or costs on a contract; (11) the risk of providing services in excess of original project scope without having an approved change order; (12) our ability to execute our expansion into the modular solutions market and to execute our updated business growth strategy to position the Company as a leading provider of engineered modular solutions to its customer base; (13) our ability to attract and retain key professional personnel; (14) our ability to obtain additional financing when needed; (15) our debt obligations may limit our financial flexibility; (16) our dependence on one or a few customers; (17) the risks of internal system failures of our information technology systems, whether caused by us, third-party service providers, intruders or hackers, computer viruses, malicious code, cyber-attacks, phishing and other cyber security problems, natural disasters, power shortages or terrorist attacks; (18) the risk of unexpected liability claims or poor safety performance; (19) our ability to identify, consummate and integrate potential acquisitions; (20) our reliance on third-party subcontractors and equipment manufacturers; (21) our ability to satisfy the continued listing standards of NASDAQ with respect to our common stock or to cure any continued listing standard deficiency with respect thereto; and (22) the effect of changes in laws and regulations, including U.S. tax laws, with which the Company must comply and the associated cost of compliance with such laws and regulations. Actual results and the timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors detailed from time to time in ENGlobal's filings with the Securities and Exchange Commission. In addition, reference is hereby made to cautionary statements set forth in the Company's other SEC filings.

The Company cautions that the foregoing list of important factors is not exclusive. We are under no duty and have no plans to update any of the forward-looking statements after the date of this Report to conform such statements to actual results.

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ITEM 1. BUSINESS

ENGlobal Corporation (which may be referred to as "ENGlobal," the "Company," "we," "us" or "our"), incorporated in the State of Nevada in June 1994, is a leading provider of innovative, delivered project solutions primarily to the energy industry. We deliver these solutions to our clients by combining our vertically-integrated engineering and professional project execution services with our automation and systems integration expertise and our fabrication and construction capabilities. We believe our vertically-integrated strategy allows us to differentiate our company from most of our competitors as a full-service provider, thereby reducing our clients' dependency on and coordination of multiple vendors and improving control over their project cost and schedules. Our strategy and positioning has also allowed the Company to pursue larger scopes of work centered around many different types of modularized engineered systems. All of the information contained in this Report relates to the annual periods ended December 25, 2021 and December 26, 2020, both of which contained 52 weeks.

We derive revenues primarily from three sources: (i) business development efforts, (ii) preferred provider or alliance agreements with strategic end-user clients, original equipment manufacturers, and technology partners, and (iii) referrals from existing customers and industry members. Our business development professionals are focused on specific market segments within the energy industry. The market segments that we are targeting include Renewables, Automation, Oil, Gas, and Petrochemicals, and Government Services. This market focus allows us to develop centers of expertise for each of our targeted markets.

We generally enter into two principal types of contracts with our clients: time-and-material contracts and fixed-price contracts. Our clients typically determine the type of contract to be utilized for a particular engagement, with the specific terms and conditions of a contract being negotiated and typically contained in a multiyear services agreement.

Our business development professionals focus on building long-term relationships with clients in order to provide solutions throughout the life-cycle of their projects and facilities. Additionally, we seek to capitalize on cross-selling opportunities between our market segments and many of our projects will contain elements from more than one market segment. Sales leads are often jointly developed and pursued by our business development personnel from multiple markets.

Products and services are also promoted through trade advertising, participation in industry conferences and on-line internet communication via our corporate home page at www.englobal.com. The ENGlobal website illustrates our company's full range of services and capabilities and is updated on a continuous basis. Through the ENGlobal website, we seek to provide visitors and investors with a single point of contact for obtaining information about our company. Information on our website or any other website is not a part of this Report.

Client relationships are nurtured by our geographic advantage of having office locations near our larger customers. By having clients in close proximity, we are able to provide single, dedicated points of contact. Our growth depends in large measure on our ability to attract and retain qualified business development personnel with a respected reputation in the energy industry. Management believes that in-house marketing allows for more accountability and control, thus increasing profitability. We develop preferred provider and alliance agreements with clients in order to facilitate repeat business. These preferred provider agreements, also known as master services or umbrella agreements ("MSAs") typically have a duration of three to five years. This allows our clients to release work to us without having to negotiate contract terms for each individual project. With the primary terms of the contract agreed to, add-on projects with these customers are easier to negotiate and can be accepted quickly, without the necessity of a bidding process. Management believes that these agreements can serve to stabilize project-centered operations.

We have identified four strategic markets where we have a long history of delivering project solutions and can provide complete project execution and have focused our business development teams on communicating these offerings to their clients. These four targeted markets include: (i) Renewables, (ii) Automation, (iii) Oil, Gas, and Petrochemicals, and (iv) Government Services.

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Within the Renewables group, our focus is to design and build production facilities for hydrogen and associated products, together with converting existing production facilities to produce products from renewable feedstock sources. These projects often utilize technologies that are more fuel efficient, and therefore reduce the associated carbon footprint of the facility. Our scope of work on these projects will typically include front-end development, engineering, procurement, mechanical fabrication, automation and commissioning services, and may be performed in conjunction with a construction partner.

Our Automation group designs, integrates and commissions modular systems that include electronic distributed control, on-line process analytical data, continuous emission monitoring, and electric power distribution. Often these packaged systems are housed in a fabricated metal enclosure, modular building or freestanding metal rack, which are commonly included in our scope of work. We provide automation engineering, procurement, fabrication, systems integration, programing and on-site commissioning services to our clients for both new and existing facilities.

Our Oil, Gas, and Petrochemical group focuses on providing engineering, procurement, construction, and automation services as well as fabricated products to downstream refineries and petrochemical facilities as well as midstream pipeline, storage and other transportation related companies. These services are often applied to small capital improvement and maintenance projects within refineries and petrochemical facilities. For our transportation clients, we work on facilities that include pumping, compression, gas processing, metering, storage terminals, product loading and blending systems. In addition, this group designs, programs and maintains supervisory control and data acquisition ("SCADA") systems for our transportation clients. This group also provides engineering, fabrication and automation services to clients who have operations in the U.S. oil and gas exploration and development markets. The operations are usually associated with the completion, purification, storage and transmission of the oil and gas from the well head to the terminal or pipeline destination.

Our Government Services group provides services related to the engineering, design, installation and maintenance of automated fuel handling and tank gauging systems for the U.S. military across the globe.

We have positioned ourselves as a full-service, vertically-integrated supplier in order to better accommodate the requests of our clients and capture opportunities of larger scope. A majority of these opportunities are expected to be in all sectors of the energy industry; however, some may be outside the energy sector. One result of our sales efforts is that our proposal pipeline continues to increase as we are now focused on selling complete packaged solutions as opposed to our past focus of primarily selling consultant man-hours. Many of these proposals have very long lead times and have exceeded our expected award timing, which would imply that many of our customers will release awards when they are more confident that commodity prices have stabilized at a sufficient level or foreseeable time period. Backlog represents an estimate of gross revenues of all awarded contracts that have not been completed and will be recognized as revenue over the life of the project. Although backlog reflects business that we consider to be firm, cancellations or scope adjustments may occur. Further, most contracts with clients may be terminated by either party at will, in which case the client would only be obligated to pay us for services provided through the termination date. A significant portion of our revenue is generated through MSAs with our clients. Projects awarded under these MSAs tend to be smaller in nature, but continuously awarded as each one is completed. In these instances, only the current unfinished projects are included in our backlog. Additionally, we have historically performed work under longer term contracts with the U.S. Navy that were generally renewed, released or awarded on an annual basis. Recently, the federal government has begun changing the contracting agency for this work. This has created some delays to the contracting sequence. At December 25, 2021, our backlog was \$12.8 million. Of this amount, \$7.0 million was for our Commercial segment and \$5.8 million was for our Government segment. This compares to a total backlog of \$24.3 million as of December 26, 2020 with \$15.0 million for our Commercial segment and \$9.3 million for our Government segment.

We continue to be mindful of our overhead structure. We have made significant investments in key business development and other essential personnel, product developments and new facilities and equipment, which all have negatively impacted our selling, general and administrative ("SG&A") expense. In addition, during the year ended December 25, 2021 we recorded a \$1.4 million bad debt reserve due to one of our major customers filing for bankruptcy and suspending operating during the second quarter. We believe the addition of these key personnel will allow the Company to expand its client base and acquire new projects. We recognize that the level of our SG&A is greater than it could be for a company our size; however, we have maintained our overhead structure in anticipation of higher revenue levels.

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Available Information

You can find financial and other information about ENGlobal at our website at www.englobal.com. Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are provided free of charge through our website and are available as soon as reasonably practicable after filing electronically or otherwise furnishing reports to the Securities and Exchange Commission (the "SEC"). Information relating to corporate governance at ENGlobal, including: (i) our Code of Business Conduct and Ethics for all of our employees, including our Chief Executive Officer and our Chief Financial Officer; (ii) our Code of Ethics for our Chief Executive Officer and our Senior Financial Officers; (iii) information concerning our directors and our Board of Directors Committees, including Committee charters; and (iv) information concerning transactions in ENGlobal securities by directors and executive officers, is available on our website under the Investors link. Information on our website or any other website is not a part of this Report. We will provide any of the foregoing information, for a reasonable fee, upon written request to Investor Relations, ENGlobal Corporation, 11740 Katy Fwy., Suite 1100, Houston, Texas 77079.

Reporting Segments

Our Commercial and Government segments are strategic business units that offer different services and products and therefore require different marketing and management strategies. Separate operational leaders are in charge of our engineering offices and our automation offices, including the office that contracts with government agencies. The operating performance of our segments is regularly reviewed with the operational leaders of the two segments, the chief executive officer ("CEO"), the chief financial officer ("CFO") and others. This group represents the chief operating decision maker ("CODM") for ENGlobal.

Our corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate expenses.

Products and Services

The Commercial segment provides multi-disciplined engineering services and fabrication relating to the development, management and execution of projects requiring professional engineering and related project management services primarily to the energy industry throughout the United States. The Commercial segment currently operates through ENGlobal's wholly-owned subsidiary, ENGlobal U.S., Inc. ("ENGlobal U.S."). ENGlobal's engineering staff has the capability of developing a project from the initial planning stages through detailed design and construction management. Our services include conceptual studies, project definition, cost estimating, engineering design, environmental compliance, material procurement, project management, construction management and fabrication.

The Commercial segment derives revenue on contracts from time-and-material fees charged for professional and technical services. Its operating income is derived primarily from services it provides to the oil and gas industry. We also enter into contracts providing for the execution of projects on a fixed-price basis, whereby some, or all, of the project activities related to engineering, material procurement, construction management, automation, integration, and fabrication are performed for a fixed amount.

The Government segment provides services related to the design, integration and implementation of process distributed control and analyzer systems, advanced automated data gathering systems, information technology and the maintenance of these systems primarily to the U.S. Government globally. The Government segment operates through ENGlobal's wholly-owned subsidiary, ENGlobal Government Services, Inc. ("EGS").

EGS primarily provides automated fuel handling systems and maintenance services to branches of the U.S. military and public sector entities. Other clients of this division are government agencies, refineries, petrochemical and process industry customers worldwide. EGS provides electrical and instrument installation, technical services, and ongoing maintenance, calibration and repair services.

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Competition

Our Commercial segment competes with a large number of public and private firms of various sizes, ranging from the industry's largest firms, which operate on a worldwide basis to much smaller regional and local firms. Many of our competitors are larger than we are and have significantly greater financial and other resources available to them than we do. However, the largest firms in our industry

are sometimes our clients, performing as program managers for very large-scale projects who subcontract a portion of their work to us. We also have many competitors who are smaller than us and who, as a result, may be able to offer services at more competitive prices.

Competition is centered on performance and the ability to provide the engineering, planning and project delivery skills required for completing projects in a timely, cost-efficient manner. The expertise of our management and technical personnel and the timeliness and quality of our support services are key competitive factors.

Our Government segment competes with a large number of public and private firms of various sizes, ranging from the industry's largest firms, which operate on a worldwide basis to much smaller regional and local firms. Many of our competitors are larger than we are and have significantly greater financial and other resources available to them than we do. We also have many competitors who are smaller than us and who, as a result, may be able to offer services at more competitive prices.

Competition is centered on performance and the ability to provide the engineering, assembly and integration required to complete projects in a timely and cost-efficient manner. The technical expertise of our management team and technical personnel and the timeliness and quality of our support services are key competitive factors.

Customers

Our customer base consists primarily of Fortune 500 companies in the energy industry and the U.S. government. While we do not have continuing dependence on any single client or a limited group of clients, one or a few clients may contribute a substantial portion of our revenue in any given year or over a period of several consecutive years due to the longevity of major projects, such as facility upgrades or expansions. ENGlobal may work for many different subsidiaries or divisions of a client. The loss of a single large customer, including all of its subsidiaries or divisions, or the reduction in demand for our services by several customers in the same year could have a material impact on our financial results. We continue to focus substantial attention on improving customer services in order to enhance satisfaction and increase customer retention. Revenue generated through sources such as preferred provider relationships are longer-term in nature and are not typically limited to one project.

A significant long-term trend among our clients and their industry counterparts has been outsourcing engineering services. This trend has fostered the development of ongoing, longer-term client arrangements. These arrangements vary in scope, duration and degree of commitment. While there is typically no guarantee that work will result from these agreements, often the arrangements form the basis for a longer-term client relationship. Despite their variety, we believe that these partnering relationships have a stabilizing influence on our revenue.

Overall, our ten largest customers, who vary from one period to the next, accounted for 86.0% of our total revenues for 2021 and 86.8% of our total revenues for 2020. Most of our projects are specific in nature and we generally have multiple projects with the same clients. If we were to lose one or more of our significant clients and were unable to replace them with other customers or other projects, our business could be materially adversely affected. Our top two clients in 2021 were a contractor completing a renewable diesel facility and the U.S. Government. Even though we frequently receive work from repeat clients, our client list may vary significantly from year to year. Our potential revenue in all segments is dependent on continuing relationships with our customers. For the years ended December 25, 2021 and December 26, 2020, we had approximately 69 and 55 active customers, respectively.

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Suppliers

Our ability to provide clients with services and systems in a timely and competitive manner depends on the availability of products and parts from our suppliers at competitive prices and on reasonable terms. Our suppliers are not obligated to have products on hand for timely delivery nor can they guarantee product availability in sufficient quantities to meet our demands. There can be no assurance that we will be able to obtain necessary supplies at prices or on terms we find acceptable. However, in an effort to maximize availability and maintain quality control, we generally procure components from multiple distributors on our clients' behalf and in some cases we can take advantage of national agreements our clients may have entered into.

For example, all of the product components used by our Government segment are assembled using components and materials that are available from numerous domestic manufacturers and suppliers. There are approximately five principal suppliers of distributed control systems, each of which can be replaced by an equally viable competitor, and our clients typically direct the selection of their preferred supplier. Thus, in the vast majority of cases, we anticipate little or no difficulty in obtaining components in sufficient quantities and in a timely manner to support our installation and assembly operations in the Government segment. Units produced through the Government segment are not produced for inventory and component parts; rather, they are typically purchased on an as-needed basis. By being vendor neutral, ENGlobal is able to provide quality technology and platforms for the design of plant systems such as 3D modeling, process simulation and other technical applications.

Despite the foregoing, our Government segment relies on certain suppliers for necessary components and there can be no assurance that these components will continue to be available on acceptable terms. If a vendor does not continue to contract with us, it may be difficult to obtain alternative sources of supply without a material disruption in our ability to provide products and services to our customers. While we do not believe that such a disruption is likely, if it did occur, it could have a material adverse effect on our financial condition and results of operations.

Patents, Trademarks, Licenses

Our success depends in part upon our ability to protect our proprietary technology, which we do primarily through protection of our trade secrets and confidentiality agreements. In addition, the U.S. Patent and Trademark Office issued our "Integrated Rack" patent No. 7,419,061 B1 in 2008, our "Universal Master Control Station System" patent No. 8,601,491 B1 in 2013, our "Modular HVAC System for Providing Positive Pressure to an Interior of a Positive Pressure Facility" patent No. 8,670,870 in 2014, our "Method of Controlling a Plurality of Master Control Stations" patent No. 8,959,447 B1 and our "Client Configuration Tool" patent No. 8,983,636 B1 in 2015.

Our trade names are protected by registration as well as by common law trademark rights. Our trademark for the use of "ENGlobal" ® - "Engineered for Growth" ®, and "viMAC" ® in connection with our products are registered with the U.S. Patent and Trademark Office and we claim common law trademark rights for "ENGlobal" ™ in connection with our services. We also claim common law trademark rights for "Global Thinking...Global Solutions" ™, "CARES - Communicating Appropriate Responses in Emergency Situations" ™, "riFAT" ™, "ACE" ™, and "ENGlobal Power Islands" ™.

There can be no assurance that the protective measures we currently employ will be adequate to prevent the unauthorized use or disclosure of our technology, or the independent, third-party development of the same or similar technology. Although our competitive position to some extent depends on our ability to protect our proprietary and trade secret information, we believe that other factors, such as the technical expertise and knowledge base of our management and technical personnel, as well as the timeliness and quality of the support services we provide, will also help us to maintain our competitive position.

Employees

As of December 25, 2021, we employed approximately 198 individuals on a full-time equivalent basis compared to approximately 241 individuals on a full-time equivalent basis as of December 26, 2020. The 17.8% decrease in personnel in 2021 was attributable to the decrease in project volume during the year. We believe that our ability to recruit and retain highly skilled and experienced professional and technical personnel has been and will continue to be critical to our ability to execute our business plan. We continue to strategically hire experienced individuals with significant relationships with our current and new customers to expand our product offerings to our existing customers. None of our employees are represented by a labor union or is subject to a collective bargaining agreement. We believe that relations with our employees are good.

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Government Regulations

ENGlobal and certain of its subsidiaries are subject to various foreign, federal, state, and local laws and regulations relating to our business and operations, and various health and safety regulations established by the Occupational Safety and Health Administration (OSHA). We are subject to a variety of state, local and foreign licensing, registration and other regulatory requirements governing the practice of engineering and other professional disciplines. For example, OSHA requires Process Safety Management to prevent the release of hazardous chemicals, the Department of Transportation (DOT) requires that pipeline operators are in full compliance with pipeline safety regulations, and the Environmental and Protection Agency (EPA) provides incentives to reduce chemical emissions. Currently, we are not aware of any situation or condition relating to the regulation of the Company, its subsidiaries, or personnel that we believe is likely to have a material adverse effect on our results of operations or financial condition.

Benefit Plans

ENGlobal sponsors a 401(k) retirement plan for its employees. The Company, at the direction of the Board of Directors, may make discretionary contributions. The Company does not currently match employees' deferrals. The match was suspended beginning December 30, 2018 and no contributions have been made since that date.

ITEM 1A. RISK FACTORS

Set forth below and elsewhere in this Report and in other documents that we file with the SEC are risks and uncertainties that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this Report. You should be aware that the occurrence of any of the events described in these risk factors and elsewhere in this Report could have a material adverse effect on our business, financial condition and results of operations and that upon the occurrence of any of these events, the trading price of our common stock could decline.

RISKS RELATED TO OUR BUSINESS, INDUSTRY AND STRATEGY

The COVID-19 pandemic has adversely affected and could continue to adversely affect our business, financial condition and results of operations. Our business is dependent upon the willingness and ability of our customers to conduct transactions with us. The COVID-19 pandemic has caused severe disruptions in the worldwide economy, including the global demand for oil and natural gas. In response, companies within the energy industry (including many of our customers) have announced capital spending cuts which, in turn, may result in a decrease in new project awards or adjustments, reductions, suspensions, cancellations or payment defaults with respect to existing project awards. The prolonged nature of the COVID-19 pandemic may result in a significant decrease in business and/or cause our customers to be unable to meet existing payment or other obligations to us, particularly in the event of a spread of COVID-19 in our market areas. The COVID-19 pandemic may also negatively impact the availability of our key personnel necessary to conduct our business as well as the business and operations of third-party service providers who perform critical services for our business. For example, in June 2020 we temporarily closed one of our operational facilities for one week in response to a potential COVID-19 exposure. Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing and difficult to predict, the impact on our business, financial condition and results of operations remains uncertain and difficult to predict. If COVID-19 continues to spread or if the response to contain the COVID-19 pandemic is unsuccessful, we could experience a material adverse effect on our business, financial condition, and results of operations.

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Our backlog declined due to the COVID-19 pandemic and is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future revenue or earnings. While our backlog has not been materially impacted by the COVID-19 pandemic in terms of project cancellations, we have not been successful in replacing our backlog as quickly as it has been converted to revenues due to inefficiencies and complications resulting from many of our clients' remote working conditions combined with the uncertainty of new project necessity and funding caused by COVID-19 related disruptions that have led to delays in project awards. Further, the COVID-19 pandemic has affected our ability to make business development contacts with customers. As a result, our backlog has decreased by approximately \$11.5 million from \$24.3 million as of December 26, 2020 to \$12.8 million as of December 25, 2021. We expect the majority of our backlog to be completed within 12 months. While we believe our backlog is sufficient to keep a significant portion of our workforce productive in the near term, it may not be at our current operating levels. We cannot assure investors that we will be successful in replacing our backlog as quickly as it has been converted to revenues, which will reduce future revenue and profits and impact our financial performance. In addition, we cannot assure investors that the revenue projected in our backlog will be realized or, if realized, will result in profits. Projects currently in our backlog may be canceled or may remain in our backlog for an extended period of time prior to project execution and, once project execution begins, it may occur unevenly over the current and multiple future periods. In addition, project terminations, suspensions or reductions in scope occur from time to time with respect to contracts reflected in our backlog, reducing the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog in addition to the revenue and profits that we actually earn. The potential for project cancellations, terminations, suspensions or reductions in scope and adjustments to our backlog are exacerbated by economic conditions, particularly in the energy industry which is experiencing volatility in oil prices since the beginning of 2020 due to concerns about the COVID-19 pandemic and its impact on the worldwide economy and global demand for oil. We are unable to predict when market conditions may improve and worsening overall market conditions could result in further declines in our backlog.

Economic downturns and the volatility and level of oil and natural gas prices could have a negative impact on our businesses. Demand for the services offered by us has been and is expected to continue to be, subject to significant fluctuations due to a variety of factors beyond our control, including demand for engineering services in the petroleum refining, petroleum chemical and pipeline industries and in other industries that we provide services to. During economic downturns in these industries, our customers' need to engage us may decline significantly and projects may be delayed or cancelled. However, these factors can cause our profitability to decline significantly. Our clients' willingness to undertake these activities depends largely on the following factors:

- Prices and expectations about future prices of oil and natural gas;
- Domestic and foreign supply of and demand for oil and natural gas;
- The cost of exploring for, developing, producing and delivering oil and natural gas;
- Weather conditions, such as hurricanes, which may affect our clients' ability to produce oil and natural gas;
- Available pipeline, storage and other transportation capacity;
- Federal, state and local regulation of oilfield activities;
- Environmental concerns regarding the methods our customers use to produce oil and natural gas;
- The availability of water resources and the cost of disposal and recycling services; and
- Seasonal limitations on access to work locations.

Anticipated future prices for oil and natural gas are a primary factor affecting spending by our clients. Historically, the markets for oil and natural gas have been volatile and lower prices or volatility in prices for oil and natural gas typically decreases spending by our clients, which can cause rapid and material declines in demand for our services and in the prices we are able to charge for our services. Further, a sustained period of lower prices and volatility in prices for oil and natural gas can exacerbate the potential for cancellations and adjustments to our backlog from our clients in the oil and natural gas industry. If the prices of oil and natural gas decline or remain depressed for a lengthy period, our business may be materially and adversely affected.

Our future revenue depends on our ability to consistently bid and win new contracts, provide high-quality, cost-effective services, and to maintain and renew existing contracts. Our failure to effectively obtain future contracts could adversely affect our profitability. Our future revenue and overall results of operations require us to successfully bid on new contracts, provide high-quality, cost-effective services, and renew existing contracts. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors, such as market conditions, financing arrangements and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. When negative market conditions arise, or if we fail to secure adequate financial arrangements or required governmental approvals, we may not be able to pursue particular projects, which could adversely affect our profitability. These factors have impacted our operations in the past several years and may continue to do so.

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We derive a portion of our revenue from U.S. federal, state and local government agencies, and as a result, any disruption in government funding, any change in our ability to comply with various procurement laws and regulations as a U.S. Government contractor, or any exercise by the U.S. Government of certain rights to modify, delay, curtail, renegotiate, or terminate existing contracts for convenience could adversely affect our business. In 2021, we generated approximately 22.7% of our revenue from contracts with U.S. federal, state and local government agencies. A significant amount of this revenue is derived under multi-year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. Our backlog includes only the portion of the contract award for which funding has been appropriated. Whether appropriations are made, and the timing of payment of appropriated amounts, may be influenced by numerous factors that could affect our U.S. Government contracting business, including the following:

- The failure of the U.S. Government to complete its budget and appropriations process before its fiscal year-end, which may result in U.S. Government agencies delaying the procurement of services;
- Budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;
- The timing and amount of tax revenue received by federal, state and local governments, and the overall level of government expenditures;
- Delays associated with insufficient numbers of government staff to oversee contracts;
- Competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide;
- Unsatisfactory performance on government contracts by us or one of our subcontractors, negative government audits or other events that may impair our relationship with federal, state or local governments;
- A dispute with or improper activity by any of our subcontractors; and
- General economic or political conditions.

In addition, we must comply with and are affected by U.S. federal, state, local, and foreign laws and regulations relating to the formation, administration and performance of government contracts. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct, and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud, or other improper activities. U.S. government agencies, such as the Defense Contract Audit Agency ("DCAA"), routinely audit and investigate government contractors and evaluate compliance with applicable laws, regulations, and standards. In addition, during the course of its audits, the DCAA may question our incurred project costs. If the DCAA believes we have accounted for such costs in a manner inconsistent with the requirements of applicable laws, regulations and standards, the DCAA auditor may recommend that such costs be disallowed. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future.

Also, U.S. Government projects in which we participate as a contractor or subcontractor may extend for several years. Generally, government contracts include the right to modify, delay, curtail, renegotiate, or terminate contracts and subcontracts at the government's convenience any time prior to their completion. Any decision by a U.S. Government client to modify, delay, curtail, renegotiate, or

terminate our contracts at their convenience may result in a decline in our profits and revenue.

We are reviewing strategic transactions and there can be no assurance that we will be successful in identifying or completing any strategic alternative, that any such strategic transactions will result in additional value for our shareholders or that the process will not have an adverse impact on our business. Our Board of Directors continues to review strategic transactions. These transactions could include, but are not limited to, strategic acquisitions, mergers, reverse mergers, the issuance or buyback of public shares, or the purchase or sale of specific assets, in addition to other potential actions aimed at increasing shareholder value. There can be no assurance that the review of strategic transactions will result in the identification or consummation of any transaction. Our Board of Directors may also determine that our most effective strategy is to continue to effectuate our current business plan. The process of reviewing strategic transactions may be time consuming and disruptive to our business operations and, if we are unable to effectively manage the process, our business, financial condition and results of operations could be adversely affected. We could incur substantial expenses associated with identifying and evaluating potential strategic transactions. No decision has been made with respect to any transaction and we cannot assure you that we will be able to identify and undertake any transaction that allows our shareholders to realize an increase in the value of their common stock or provide any guidance on the timing of such action, if any.

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We also cannot assure you that any potential transaction or other strategic alternative, if identified, evaluated and consummated, will provide greater value to our shareholders than that reflected in the current price of our common stock. Any potential transaction would be dependent upon a number of factors that may be beyond our control, including, but not limited to, market conditions, industry trends, the interest of third parties in our business and the availability of financing to potential buyers on reasonable terms. We do not intend to comment regarding the evaluation of strategic transactions until such time as our Board of Directors has determined the outcome of the process or otherwise has deemed that disclosure is appropriate or required by applicable law. As a consequence, perceived uncertainties related to our future may result in the loss of potential business opportunities and volatility in the market price of our common stock and may make it more difficult for us to attract and retain qualified personnel and business partners.

We may consider growing through acquisitions and may not be successful in doing so or in integrating effectively any business or operations we may acquire. As part of our historic business strategy, we have expanded our business through strategic acquisitions. Appropriate acquisitions could allow us to expand into new geographical locations, offer new services, add complementary businesses to expand our portfolio of services, enhance our capital strength or acquire additional talent. Accordingly, our future performance will be impacted by our ability to identify appropriate businesses to acquire, negotiate favorable terms for such acquisitions and effectively and efficiently integrate such acquisitions into our existing businesses. There is no certainty that we will succeed in completing any future acquisitions or whether we will be able to successfully integrate any acquired businesses or to operate them profitably.

Acquisitions involve numerous risks, any of which could harm our business, including:

- Difficulties in integrating the operations, technologies, products, existing contracts, accounting and personnel of the target company and realizing the anticipated synergies of the combined businesses;
- Difficulties in supporting and transitioning customers, if any, of the target company;
- Diversion of our financial and management resources from existing operations;
- The price we pay or other resources that we devote may exceed the value we realize, or the value we could have realized if we had allocated the purchase price or other resources to another opportunity;
- Risks of entering new markets in which we have limited or no experience;
- Potential loss of key employees, customers and strategic alliances from either our current business or the target company's business;
- Assumption of unanticipated problems or latent liabilities, such as problems with the quality of the target company's services;
- Risks associated with possible violations of the Foreign Corrupt Practices Act and other anti-corruption laws as a result of any acquisition or otherwise applicable to our business; and
- Inability to generate sufficient net income to justify the acquisition costs.

Acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairment in the future that could harm our financial results. In addition, if we finance acquisitions by issuing convertible debt or equity securities, our existing stockholders may be diluted, which could lower the market price of our common stock. As a result, if we fail to properly evaluate acquisitions or investments, we may not achieve the anticipated benefits of any such acquisitions, and we may incur costs in excess of amounts that we anticipate.

Our business and operating results could be adversely affected by our inability to accurately estimate the overall risks, revenue or costs on a contract. Revenue recognition for a contract requires judgment relative to assessing the contracts estimated risks, revenue and costs and technical issues. Due to the size, complexity and nature of many of our contracts, the estimation of overall risk, revenue and cost at completion is complicated and subject to many variables. Changes in underlying assumptions, circumstances or estimates have in the past and may continue to adversely affect future period financial performance.

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We may incur significant costs in providing services in excess of original project scope without having an approved change order. After commencement of a contract, we may perform, without the benefit of an approved change order from the customer, additional services requested by the customer that were not contemplated in our contract price due to customer changes or to incomplete or inaccurate engineering, project specifications, and other similar information provided to us by the customer. Our construction contracts generally require the customer to compensate us for additional work or expenses incurred under these circumstances as long as we obtain prior written approval. A failure to obtain adequate written approvals prior to performing the work could require us to record an adjustment to revenue and profit recognized in prior periods under the percentage-of-completion accounting method. Any such adjustments, if substantial, could have a material adverse effect on our results of operations and financial condition, particularly for the period in which such adjustments are made. There can be no assurance that we will be successful in obtaining, through negotiation, arbitration, litigation or otherwise, approved change orders in an amount sufficient to compensate us for our additional, unapproved work or expenses.

Our focus on four strategic market initiatives could subject us to increased costs and related risks and may not achieve the intended results. Focusing our business activities on four strategic market initiatives could subject us to increased costs and related risks and we may not achieve the intended results. These initiatives may require additional investments by the Company and additional attention from management, and if not successful, we may not realize the return on our investments as anticipated or our operating results could be adversely affected by slower than expected sales growth or additional costs.

The failure to attract and retain key professional personnel could materially adversely affect our business. Our success depends on attracting and retaining qualified personnel even in an environment where the contracting process is more difficult. We are dependent upon our ability to attract and retain highly qualified managerial, technical and business development personnel. In particular, competition for key management personnel continues to be intense. We cannot be certain that we will retain our key managerial, technical, and business development personnel or be able to attract or assimilate key personnel in the future. Failure to attract and retain such personnel would materially adversely affect our businesses, financial position, results of operations and cash flows.

Our debt obligations may limit our financial flexibility. As of December 25, 2021, we had a total of approximately \$1.0 million in debt outstanding under the Revolving Credit Facility. We may incur additional debt in order to fund our operational activities. A higher level of indebtedness increases the risk that our financial flexibility may deteriorate. Our ability to meet our debt obligations and service our debt depends on future performance. General economic conditions, commodity prices, and financial, business and other factors may affect our operations and our future performance. Many of these factors are beyond our control and we may not be able to generate sufficient cash flow to pay the debt, and future working capital, borrowings and equity financing may not be available to pay or refinance such debt.

Our dependence on one or a few customers could adversely affect us. One or a few clients have in the past and may in the future contribute a significant portion of our consolidated revenue in any one year or over a period of several consecutive years. In 2021, our top three clients accounted for 30.5%, 22.6% and 5.8% of our revenue, respectively, and our ten largest customers accounted for 86.0% of our revenue. As our backlog frequently reflects multiple projects for individual clients, one major customer may comprise a significant percentage of our backlog at any point in time. Because these significant customers generally contract with us for specific projects, we may lose them in other years as their projects with us are completed. If we do not continually replace them with other customers or other projects, our business could be materially adversely affected. Also, the majority of our contracts can be terminated at will. Although we have long-standing relationships with many of our significant customers, our contracts with these customers are on a project-by-project basis and the customers may unilaterally reduce or discontinue their purchases at any time. In addition, dissatisfaction with the results of a single project could have a much more widespread impact on our ability to get additional projects from a single major client. The loss of business from any one of such customers could have a material adverse effect on our business or results of operations.

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Internal system or service failures could disrupt our business and impair our ability to effectively provide our services and products to our clients, which could damage our reputation and adversely affect our revenue, profitability and operating results. Our information technology systems are subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, intruders or hackers, computer viruses, malicious code, cyber-attacks, phishing and other cyber security problems, natural disasters, power shortages or terrorist attacks. Any such failures could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. Failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Any system or service disruptions if not anticipated and appropriately mitigated

could have a material adverse effect on our business including, among other things, an adverse effect on our ability to bill our clients for work performed on our contracts, collect the amounts that have been billed and produce accurate financial statements in a timely manner. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our results of operations could be materially and adversely affected. We have invested and will continue to pursue further investments in systems that will allow us to achieve and remain in compliance with the regulations governing our business; however, there can be no assurance that such systems will be effective at achieving and maintaining compliance or that we will not incur additional costs in order to make such systems effective.

If we are unable to collect our receivables, our results of operations and cash flows could be adversely affected. Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed and materials supplied. In the ordinary course of business, we extend unsecured credit to our customers. We may also agree to allow our customers to defer payment on projects until certain milestones have been met or until the projects are substantially completed, and customers typically withhold some portion of amounts due to us as retainage. As of December 25, 2021, we had projects that had \$2.7 million in retainage. We bear the risk that our clients will pay us late or not at all. Though we evaluate and attempt to monitor our clients' financial condition, there is no guarantee that we will accurately assess their creditworthiness. To the extent the credit quality of our clients deteriorates or our clients seek bankruptcy protection, our ability to collect receivables and our results of operations could be adversely affected. Even if our clients are credit-worthy, they may delay payments in an effort to manage their cash flow. Financial difficulties or business failure experienced by one or more of our major customers has had and could, in the future, continue to have a material adverse effect on both our ability to collect receivables and our results of operations. For example, on July 12, 2021, one of our major customers filed bankruptcy after suspending operations during the second quarter of 2021, which led to our recording of a \$1.4 million bad debt reserve and a \$0.5 million reduction in backlog as of September 25, 2021.

Liability claims could result in losses. Providing engineering and design services involves the risk of contract, professional errors and omissions and other liability claims, as well as adverse publicity. Further, many of our contracts require us to indemnify our clients not only for our negligence, if any, but also for the concurrent negligence of our clients. We currently maintain liability insurance coverage, including coverage for professional errors and omissions. However, claims outside of or exceeding our insurance coverage may be made. A significant claim could result in unexpected liabilities, take management time away from operations, and have a material adverse impact on our cash flow.

Unsatisfactory safety performance can affect customer relationships, result in higher operating costs and result in high employee turnover. Our workers are subject to the normal hazards associated with providing services on construction sites and industrial facilities. Even with proper safety precautions, these hazards can lead to personal injury, loss of life, damage to, or destruction of property, plant and equipment, and environmental damages. We are intensely focused on maintaining a safe environment and reducing the risk of accidents across all of our job sites. However, poor safety performance may limit or eliminate potential revenue streams from many of our largest customers and may materially increase our future insurance and other operating costs. In hiring new employees, we normally target experienced personnel; however, we also hire inexperienced employees. Even with thorough safety training, inexperienced employees have a higher likelihood of injury which could lead to higher operating costs and insurance rates.

Our dependence on third-party subcontractors and equipment manufacturers could adversely affect us. We rely on third-party subcontractors as well as third-party suppliers and manufacturers to complete our projects. To the extent that we cannot engage subcontractors or acquire supplies or materials, our ability to complete a project in a timely fashion may be impaired. If the amount we are required to pay for these goods and services exceeds the amount we have estimated in bidding for fixed-price or time-and-material contracts, we could experience losses on these contracts. In addition, if a subcontractor or supplier is unable to deliver its services or materials according to the negotiated contract terms for any reason, including the deterioration of its financial condition or over-commitment of its resources, we may be required to purchase the services or materials from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the services or materials were needed.

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Force majeure events such as natural disasters or global or national health epidemics or concerns, such as the recent COVID-19 coronavirus outbreak, could negatively impact the economy and the industries we service, which may negatively affect our financial condition, results of operations and cash flows. Force majeure events, such as hurricanes or global or national health epidemics or concerns, such as the recent COVID-19 coronavirus outbreak, could negatively impact the economies of the areas in which we operate. For example, in 2017 Hurricane Harvey caused considerable damage along the Gulf Coast not only to the refining and petrochemical industry, but also the commercial segment which competes for labor, materials and equipment resources needed throughout the entire United States. In some cases, we remain obligated to perform our services after a natural disaster even though our contracts may contain force majeure clauses. In those cases, if we are not able to react quickly and/or negotiate contractual relief on favorable terms to us, our operations may be significantly and adversely affected, which would have a negative impact on our financial condition, results of operations and cash flows.

RISKS RELATED TO OUR COMMON STOCK OUTSTANDING

The trading price of our stock may continue to be volatile, which could cause you to lose part or all of your investment. The trading price of our common stock has been highly volatile and could continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control. During the past twelve months, the sales price of our stock ranged from a low of \$0.75 per share in January 2022, to a high of \$7.16 per share in March 2021.

We do not believe that this volatility corresponds to any recent change in our financial condition.

The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies.

As a result of this volatility, our securities could experience rapid and substantial decreases in price, and you may be able to sell securities you purchase under this prospectus only at a substantial loss to the price at which you purchased the securities in this offering.

Some, but not all, of the factors that may cause the market price of our common stock to fluctuate include:

- fluctuations in our quarterly or annual financial results or the quarterly or annual financial results of companies perceived to be similar to us or relevant for our business;
- changes in estimates of our financial results or recommendations by securities analysts;
- failure of our services or products to achieve or maintain market acceptance;
- changes in market valuations of similar or relevant companies;
- success of competitive service offerings or technologies;
- changes in our capital structure, such as the issuance of securities or the incurrence of debt;
- announcements by us or by our competitors of significant services, contracts, acquisitions or strategic alliances;
- regulatory developments in the United States, foreign countries, or both;
- litigation;
- additions or departures of key personnel;
- investors' general perceptions; and
- changes in general economic, industry or market conditions.

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In addition, if the market for energy related stocks, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition, or results of operations. Further, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

A possible "short squeeze" due to a sudden increase in demand of our common stock that largely exceeds supply may lead to additional price volatility. Historically there has not been a large short position in our common stock. However, in the future investors may purchase shares of our common stock to hedge existing exposure or to speculate on the price of our common stock. Speculation on the price of our common stock may involve long and short exposures. To the extent an aggregate short exposure in our common stock becomes significant, investors with short exposure may have to pay a premium to purchase shares for delivery to share lenders at times if and when the price of our common stock increases significantly, particularly over a short period of time. Those purchases may in turn, dramatically increase the price of our common stock. This is often referred to as a "short squeeze." A short squeeze could lead to volatile price movements in our common stock that are not directly correlated to our business prospects, financial performance or other traditional measures of value for the Company or our common stock.

A small number of stockholders own a significant portion of our outstanding common stock, thus limiting the extent to which other stockholders can effect decisions subject to stockholder vote. Directors, executive officers and principal stockholders of ENGlobal and their affiliates, beneficially own approximately 27% of our outstanding common stock on a fully diluted basis as of the date of this Report. Accordingly, these stockholders, as a group, are able to affect the outcome of stockholder votes, including votes concerning the adoption or amendment of provisions in our Articles of Incorporation or bylaws and the approval of mergers and other significant corporate transactions.

The existence of these levels of ownership concentrated in a few persons makes it unlikely that any other holder of common stock will be able to affect the management or direction of the Company. These factors may also have the effect of delaying or preventing a change in management or voting control of the Company.

Our Board of Directors may authorize future sales of ENGlobal common stock, which could result in a decrease in the market value to existing stockholders of the shares they hold. Our Articles of Incorporation authorize our Board of Directors to issue up to an additional 39,769,325 shares of common stock and an additional 2,000,000 shares of undesignated preferred stock as of December 25, 2021. These shares may be issued without stockholder approval unless the issuance is 20% or more of our outstanding common stock, in which case the NASDAQ requires stockholder approval. We may issue shares of stock in the future in connection with acquisitions or financings. In addition, we may issue restricted stock or options under our 2021 Long Term Incentive Plan. Future issuances of substantial amounts of common stock, or the perception that these sales could occur, may affect the market price of our common stock. In addition, the ability of the Board of Directors to issue additional stock may discourage transactions involving actual or potential changes of control of the Company, including transactions that otherwise could involve payment of a premium over prevailing market prices to holders of our common stock.

Future issuances of our securities in connection with financing transactions or under equity incentive plans could dilute current stockholders' ownership. We may decide to raise additional funds to fund our operations through the issuance of public or private debt or equity securities. We cannot predict the effect, if any, that future issuances of debt, our common stock, other equity securities or securities convertible into or exchangeable for our common stock or other equity securities or the availability of any of the foregoing for future sale, will have on the market price of our common stock. The issuance of substantial amounts of our common stock or securities convertible into or exchangeable for our common stock (including shares issued upon the exercise of stock options or the conversion or exchange of any convertible or exchangeable securities outstanding now or in the future), or the perception that such issuances could occur, may adversely affect prevailing market prices for our common stock. In addition, further dilution to our existing stockholders will result, and new investors could have rights superior to existing stockholders.

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ITEM 2. PROPERTIES

We lease space in five buildings in the U.S. totaling approximately 165,257 square feet. The leases have remaining terms ranging from eight months to eighty-four months and are on terms that we consider commercially reasonable. We have no major encumbrances related to these properties.

Our principal office is located in Houston, Texas. We have other offices in Tulsa, Oklahoma, Denver, Colorado, and Henderson, Texas. Approximately 58,162 square feet of our total office space is designated for our professional, technical and administrative personnel. We believe that our office and other facilities are well maintained and adequate for existing and planned operations at each operating location. Our Commercial segment performs assembly services in its Houston, Texas integration facility with approximately 81,089 square feet of space and fabrication services in its Henderson, Texas facility on 7 acres with approximately 22,450 square feet of shop space.

Location	Square Feet
Denver, CO (1)	280
Henderson, TX	22,450
Houston, TX	26,006
Houston, TX (Portwall)	81,089
Tulsa, OK	35,432
	165,257

(1) Our Denver, Colorado location is a month-to-month office rental.

ITEM 3. LEGAL PROCEEDINGS

From time to time, ENGlobal or one or more of its subsidiaries may be involved in various legal proceedings or may be subject to claims that arise in the ordinary course of business alleging, among other things, claims of breach of contract or negligence in connection with the performance or delivery of goods and/or services. The outcome of any such claims or proceedings cannot be predicted with certainty. As of the date of this filing, management is not aware of any such claims against the Company or any subsidiary business entity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders

Our common stock has been quoted on the NASDAQ Capital Market (NASDAQ - CM) under the symbol "ENG" since April 16, 2013 and the NASDAQ Global Market prior to that date. Newspaper and on-line stock listings identify us as "ENGlobal."

As of December 25, 2021, approximately 11,870 stockholders of record held our common stock. We do not have information regarding the number of holders of beneficial interests in our common stock.

Issuer Purchases of Equity Securities

The following table sets forth certain information with respect to repurchases of our common stock for the fourth quarter of 2021:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under Plans or Programs (1)
September 26, 2021 to October 23, 2021	-	-	-	\$ -
October 24, 2021 to November 27, 2021	-	-	-	\$ -
November 28, 2021 to December 25, 2021	-	-	-	\$ -
Total	-	-	1,290,460	\$ 425,589

(1) On April 21, 2015, the Company announced that its Board of Directors had authorized the repurchase of up to \$2.0 million of the Company's common stock from time to time through open market or privately negotiated transactions, based on prevailing market conditions. The Company is not obligated to repurchase any dollar amount or specific number of shares of common stock under the repurchase program, which may be suspended, discontinued or reinstated at any time. The stock repurchase program was suspended on May 16, 2017 and was reinstated on December 19, 2018. As of December 25, 2021, the Company had purchased and retired 1,290,460 shares at an aggregate cost of \$1.6 million under this repurchase program. Management does not intend to repurchase any shares in the near future.

Dividend Policy

We have never declared or paid a cash dividend on our common stock. We intend to retain any future earnings for reinvestment in our business and we do not intend to pay cash dividends in the foreseeable future. The payment of dividends in the future, if any, will depend on numerous factors, including our earnings, capital requirements and operating and financial position as well as general business conditions.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is qualified in its entirety by, and should be read in conjunction with, our Consolidated Financial Statements and Notes thereto, included elsewhere in this Report.

Overview

ENGlobal Corporation is a leading provider of innovative, delivered project solutions primarily to the energy industry. We deliver these solutions to our clients by combining our vertically-integrated engineering and professional project execution services with our automation and systems integration expertise and fabrication capabilities. We believe our vertically-integrated strategy allows us to differentiate our company from most of our competitors as a full service provider, thereby reducing our clients' dependency on and coordination of multiple vendors and improving control over their project cost and schedules. Our strategy and positioning has also allowed the Company to pursue larger scopes of work centered around many different types of modularized engineered systems.

We focus on four strategic markets where we have a long history of delivering project solutions and can provide complete project execution and have focused our business development teams on communicating these offerings to their clients. These four targeted markets include: (i) Renewables, (ii) Automation, (iii) Oil, Gas, and Petrochemicals, and (iv) Government Services.

We continue to be mindful of our overhead structure. We have made significant investments in key business development and other essential personnel, product developments and new facilities and equipment, which have all negatively impacted our selling, general and administrative ("SG&A") expense. In addition, during the year ended December 25, 2021, we recorded a \$1.4 million bad debt reserve due to one of our major customers filing for bankruptcy and suspending operating during the second quarter. We believe the addition of these key personnel will allow the Company to expand its client base and acquire new projects. We recognize that the level of our SG&A is greater than it could be for a company our size; however, we have maintained our overhead structure in anticipation of higher revenue levels.

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[COVID-19 Update](#)

On March 11, 2020, the World Health Organization declared that the worldwide spread and severity of a new coronavirus, referred to as COVID-19, was severe enough to be characterized as a pandemic. In response to the continued spread of COVID-19, governmental authorities in the United States and around the world have imposed various restrictions designed to slow the pace of the pandemic, including restrictions on travel and other restrictions that prohibit employees from going to work, in cities where we have offices, employees, and customers causing severe disruptions in the worldwide economy, including the global demand for oil and natural gas. In response, companies within the energy industry (including many of our customers) have announced capital spending cuts which, in turn, may result in a decrease in new project awards or adjustments, reductions, suspensions, cancellations or payment defaults with respect to existing project awards. We have been fortunate that we entered 2020 with a robust backlog and that the larger projects in our backlog have not been cancelled or postponed. This has allowed us to keep a significant portion of our workforce productive. However, we have not been successful in replacing our backlog as quickly as it has been converted to revenues. As a result, our backlog has decreased by approximately \$11.5 million from \$24.3 million at December 26, 2020 to \$12.8 million at December 25, 2021. While we have many potential opportunities in our sales pipeline that could replace a significant portion of this backlog reduction, inefficiencies and complications resulting from many of our clients' remote working conditions combined with the uncertainty of new project necessity and funding caused by COVID-19 related disruptions have largely contributed to delays in project awards and our inability to replace our backlog as quickly as it has been converted to revenue. While we believe our backlog is sufficient to keep a significant portion of our workforce productive in the near term, it may not be at our current operating levels. The extent to which the disruption of COVID-19 may impact our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time. The duration and intensity of these impacts and resulting disruption to our business, financial condition and results of operations is uncertain and we will continue to monitor the situation and assess the operational and financial impact on our business.

As a result of these current and future uncertainties, we felt it necessary to utilize all avenues of available assistance as they may not be available in the future when needed. On April 13, 2020, we obtained a \$4.9 million loan (the "PPP Loan") pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was forgiven in full during 2021. We are also utilizing relief for employees impacted by COVID-19 under the Families First Coronavirus Response Act in order to minimize the impact to both our employees and our business. Further, we are utilizing some of the tax payment deferral opportunities and federal refund acceleration opportunities provided by the IRS and the CARES Act.

On May 21, 2020, in order to provide additional liquidity, the Company and its subsidiaries (collectively, the "Borrowers") entered into a Loan and Security Agreement (the "Revolving Credit Facility") with Pacific Western Bank dba Pacific Western Business Finance, a California state-chartered bank (the "Lender"), pursuant to which the Lender agreed to extend credit to the Borrowers in the form of revolving loans in the aggregate amount of up to \$6.0 million, subject to a credit limit. For additional information, see "Liquidity and Capital Resources." As we continue to monitor the situation and assess the operational and financial impact on our business, we may determine to take further actions in response.

On June 27, 2020, we temporarily closed one of our operational facilities and sponsored COVID-19 testing for employees in response to a potential COVID-19 exposure. During the closure, we cleaned and sanitized the facility, and we reopened the facility after one week. Employees and visitors were allowed to return to the facility only after negative test results were received or after a fourteen day quarantine period. Although the closure was only for one week, the disruption to our operations was longer as testing results were received slower than expected and project progress was delayed.

Because the severity, magnitude and duration of the COVID-19 pandemic and its economic consequences are uncertain, rapidly changing and difficult to predict, the impact on our business, financial condition and results of operations remains uncertain and difficult to predict. If COVID-19 continues to spread or if the response to contain the COVID-19 pandemic is unsuccessful, we could experience a material adverse effect on our business, financial condition, and results of operations. For additional information, see Part II, Item 1A "Risk Factors."

[Results of Operations](#)

Our revenue is comprised of services revenue and the sale of engineered modular solutions. We generally recognize service revenue as soon as the services are performed. During 2021, we worked on 275 projects ranging in size from \$1 thousand to \$28.3 million. The average size of the projects during 2021 was \$408 thousand and we recorded an average revenue of \$132 thousand per project.

In the course of providing our services, we routinely provide materials and equipment and may provide construction management or construction services. Generally, these materials, equipment and subcontractor costs are passed through to our clients and reimbursed, along with handling fees, which in total are at margins much lower than those of our services business. In accordance with industry practice and generally accepted accounting principles, all such costs and fees are included in revenue. The use of subcontractor services can change significantly from project to project; therefore, changes in revenue and gross profit, SG&A expense and operating income as a percent of revenue may not be indicative of our core business trends.

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Segment operating SG&A expense includes management and staff compensation, office costs such as rents and utilities, depreciation, amortization, travel, bad debt and other expenses generally unrelated to specific client contracts, but directly related to the support of a segment's operations. Corporate SG&A expenses includes investor relations, business development, governance, finance, accounting, health, safety, environmental, human resources, legal and information technology which are unrelated to specific projects but which are incurred to support corporate activities.

[Reporting Segments](#)

Our segments are strategic business units that offer different services and products and therefore require different marketing and management strategies. Separate operational leaders are in charge of our engineering offices and our automation offices, including the office that contracts with government agencies. The operating performance of our segments is regularly reviewed with the operational leaders of the two segments, the CEO, CFO and others. This group represents the CODM for ENGlobal.

Our corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate expenses.

[Comparison of the years ended December 25, 2021 and December 26, 2020](#)

The following table set forth below, for the years ended December 25, 2021 and December 26, 2020, provides financial data that is derived from our consolidated statements of operations (amounts in thousands, except per share data). The data for the year ended December 26, 2020 has been recast to align with our current reportable segments.

	Commercial	Government Services	Corporate	Consolidated	
For the year ended December 25, 2021:					
Revenue	\$ 27,986	\$ 8,424	\$ -	\$ 36,410	100.0%
Gross profit (loss)	(1,567)	924	-	(643)	(1.8)%
SG&A	7,032	892	4,909	12,833	35.2%
Operating income (loss)	(8,599)	32	(4,909)	(13,476)	(37.0)%

Other income, net				8,063	
Interest expense, net				(212)	
Tax expense				(60)	
Net loss				(5,685)	(15.6)%
Basic and diluted loss per share				<u>\$ (0.18)</u>	

	Commercial	Government Services	Corporate	Consolidated	
For the year ended December 26, 2020:					
Revenue	54,368	10,081	-	64,449	100.0%
Gross profit	6,898	1,553	-	8,451	13.1%
SG&A	3,328	668	4,838	8,834	13.7%
Operating income (loss)	3,570	885	(4,838)	(383)	(0.6)%
Other income, net				14	
Interest expense, net				(153)	
Tax expense				(103)	
Net loss				(625)	(1.0)%
Basic and diluted loss per share				<u>(0.02)</u>	

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	Commercial	Government Services	Corporate	Consolidated	
Year Over Year Increase (Decrease) in Operating Results:					
Revenue	\$ (26,382)	\$ (1,657)	\$ -	\$ (28,039)	(43.5)%
Gross profit (loss)	(8,465)	(629)	-	(9,094)	
SG&A	3,704	224	71	3,999	45.3%
Operating income (loss)	(12,169)	(853)	(71)	(13,093)	3,418.5%
Other income, net				8,049	
Interest expense, net				(59)	
Tax expense				43	
Net loss				(5,060)	809.6%
Basic and diluted loss per share				<u>\$ (0.16)</u>	

Revenue - Overall, our revenue for the year ended December 25, 2021, as compared to the year ended December 26, 2020, decreased \$28.0 million, or 43.5%, to \$36.4 million from \$64.4 million. Revenue from the Commercial segment decreased \$26.4 million, or 48.5%, to \$28.0 million for the year ended December 25, 2021, as compared to \$54.4 million for the comparable period in 2020. Revenue from the Government Services segment decreased \$1.7 million, or 16.4%, to \$8.4 million for the year ended December 25, 2021 as compared to \$10.1 million for the comparable period in 2020. Our 2021 revenue for the Commercial segment decreased primarily due to the completion of several large projects and projects that were not renewed as our clients decreased their activities in all sectors of the energy industry due to COVID-19. Our 2021 revenue for the Government Services segment decreased primarily due to base closures and travel restrictions imposed by the U.S. Government as a result of COVID-19.

Gross Profit (Loss) - Gross loss for the year ended December 25, 2021 was \$0.6 million, a decrease of \$9.1 million, or 107.6%, from a gross profit of \$8.5 million for the comparable period in 2020. Gross loss margin was 1.8% for the year ended December 25, 2021, a decrease from the 13.1% gross profit margin for the year ended December 26, 2020. The decrease in gross profit margin is primarily attributable to an increase in Commercial segment costs associated with maintaining essential staffing, for which we obtained employee retention credits in the first and third quarters of 2021, as projects were completed without subsequent renewals or replacements in addition to increased proposal activity from our efforts to replenish our backlog.

Gross profit (loss) in our Commercial segment decreased \$8.5 million, or 122.7%, to \$1.6 million of gross loss for a gross loss margin of 5.6% for the year ended December 25, 2021 as compared to \$6.9 million of gross profit and gross profit margin of 12.7% for the year ended December 26, 2020. The decrease in gross profit (loss) margin is primarily attributable to costs associated with maintaining essential staffing, for which we obtained the employee retention credit recorded in other income, completed projects without subsequent renewals or replacements during 2021, and increased proposal activity from our efforts to replenish our backlog.

Gross profit in the Government Services segment decreased \$0.6 million, or 40.5%, to \$0.9 million for a gross profit margin of 11.0% for the year ended December 25, 2021 as compared to \$1.6 million of gross profit with a gross profit margin of 15.4% for the year ended December 26, 2020. The decrease in gross profit is due to base closures and travel restrictions imposed by the U.S. government as a result of COVID-19.

Selling, General and Administrative - Overall, our SG&A expenses increased by \$4.0 million for the year ended December 25, 2021 as compared to the year ended December 26, 2020. This increase in SG&A is driven by increases in salaries and burden costs of \$1.9 million from our investment in key business development personnel, bad debt expense of \$1.3 million, legal costs of \$0.2 million, recruiting expense of \$0.1 million, computer software expense of \$0.1 million, insurance costs of \$0.1 million, travel costs of \$0.1 million, accounting services of \$0.1 million, and marketing costs of \$0.1 million. We continue to look for ways to streamline our processes and delay expenditures while we continue to invest in our business development activities.

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Other income, net - Other income, net of expense, increased \$8.1 million for the year ended December 25, 2021 as compared to the year ended December 26, 2020 primarily due to a \$1.7 million employee retention credit recorded in the first quarter of 2021, \$5.0 million of PPP loan forgiveness in the third quarter of 2021, and \$1.4 million employee retention credit recorded in the third quarter of 2021, with no comparable occurrences in 2020.

Tax expense - Tax expense was \$0.1 million for the year ended December 25, 2021 and December 26, 2020.

Net Income (Loss) - Net loss for the year ended December 25, 2021 was \$5.7 million compared to a net loss of \$0.6 million for the year ended December 26, 2020, primarily as a result of decreases in revenue and gross margin, in addition to increased business development costs and bad debt reserve within our Commercial segment, partially offset by the employee retention credit in the first and third quarters of 2021 in addition to the PPP Loan forgiveness in the third quarter of 2021.

Liquidity and Capital Resources

Overview

We define liquidity as our ability to pay liabilities as they become due, fund business operations and meet monetary contractual obligations. Our primary sources of liquidity are cash on hand, internally generated funds, sales of common stock pursuant to the ATM Agreement (defined below), and borrowings under the Revolving Credit Facility. Our cash increased to \$19.2 million at December 25, 2021 from \$13.7 million at December 26, 2020, as our operating activities used approximately \$13.7 million in net cash during the year ended December 25, 2021 primarily due to cash used to fund our operating loss, PPP Loan forgiveness, an increase in other current assets, an increase in trade payables, an increase in accrued compensations and benefits, and an increase in other current liabilities and other components of working capital, partially offset by a decrease in contract assets net of contract liabilities, share-based compensation and depreciation, and a decrease in trade receivables. Our working capital as of December 25, 2021 was \$26.2 million as compared to \$14.0 million as of December 26, 2020.

On May 21, 2020, we entered into the Revolving Credit Facility pursuant to which the Lender agreed to extend credit of up to \$6.0 million, subject to a credit limit. As of December 25, 2021, the credit limit under the Revolving Credit Facility was \$2.4 million and outstanding borrowings were \$1.0 million, which yields enough interest to cover our minimum monthly interest charge. As of December 25, 2021, we were in compliance with all of the covenants under the Revolving Credit Facility. On April 13, 2020, we obtained the PPP Loan, and on July 12, 2021, we received notification from our lender that the PPP Loan was forgiven in full by the U.S. Small Business Administration. For additional information on the Revolving Credit Facility and PPP Loan, see Part II, Item 8, Note 7 - Debt -.

In addition, on January 29, 2021, we filed a shelf registration statement on Form S-3 (the "Registration Statement") with the SEC, pursuant to which we may offer and sell, at our option, securities having an aggregate offering price of up to \$100 million. On January 29, 2021, we entered into an at market issuance sales agreement with B. Riley Securities, Inc., which was subsequently terminated pursuant to its terms on January 7, 2022.

On June 1, 2021, we entered into a securities purchase agreement (the "Purchase Agreement") pursuant to which we sold and issued an aggregate of 7,142,859 shares of the Company's common stock to certain institutional investors at an offering price of \$2.80 per share in a registered direct offering priced at-the-market under NASDAQ rules for net proceeds of approximately \$18.7 million after deducting the fees of A.G.P./Alliance Global Partners, the placement agent, and related offering expenses.

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On January 11, 2022, we entered into sales agreement (the "ATM Agreement") with Lake Street Capital Markets, LLC ("Lake Street") pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to \$30 million to or through Lake Street, as sales agent, from time to time, in an "at the market offering". The Company is not obligated to make any sales under the agreement and any determination by the Company to do so will be dependent, among other things, on market conditions and the Company's capital raising needs. Upon the filing of this Annual Report on Form 10-K, our registration statement on Form S-3 (File No. 333-252572), including the accompanying prospectus and related prospectus supplements related to the "at the market offering", is subject to the provisions of General Instruction I.B.6 of Form S-3, which provides that we may not sell securities in a public primary offering with a value exceeding one-third of our public float in any twelve-month period unless our public float is at least \$75 million. As of March 7, 2022, the Company's public float (i.e., the aggregate market value of its outstanding equity securities held by non-affiliates) was approximately \$56.1 million, based on the closing price per share of our common stock as reported on the Nasdaq Capital Market on March 7, 2022, as calculated in accordance with General Instruction I.B.6 of Form S-3. If our public float meets or exceeds \$75 million at any time, we will no longer be subject to the restrictions set forth in General Instruction I.B.6 of Form S-3, at least until the filing of our next Section 10(a)(3) update as required under the Securities Act.

We believe our cash on hand, internally generated funds, availability under the Revolving Credit Facility and sales of common stock pursuant to the ATM Agreement, along with other working capital will be sufficient to fund our current operations and expected activity for the next twelve months.

Cash and the availability of cash could be materially restricted if (1) outstanding invoices billed are not collected or are not collected in a timely manner, (2) circumstances prevent the timely internal processing of invoices, (3) we lose one or more of our major customers or our major customers significantly reduce the amount of work requested from us, (4) we are unable to win new projects that we can perform on a profitable basis or (5) we are unable to reverse our use of cash to fund losses. If any such event occurs, we would be forced to consider alternative financing options.

Our Board of Directors continues to review strategic transactions, which could include strategic acquisitions, mergers, reverse mergers, the issuance or buyback of public shares, or the purchase or sale of specific assets, in addition to other potential actions aimed at increasing shareholder value. The Company does not intend to disclose or comment on developments related to its review unless and until the Board has approved a specific transaction or otherwise determined that further disclosure is appropriate. There can be no assurance that the Board's strategic review will result in any transaction, or any assurance as to its outcome or timing.

Cash Flows from Operating Activities

Operating activities used approximately \$13.7 million in net cash during the year ended December 25, 2021 primarily due to cash used to fund our operating loss of \$5.7 million, \$4.9 million of PPP Loan forgiveness, a \$3.1 million increase in other current assets, a \$0.1 million decrease in trade payables, a \$1.4 million decrease in accrued compensations and benefits, and a \$0.1 million decrease in other current liabilities and other components of working capital, partially offset by a \$0.7 million decrease in contract assets net of contract liabilities, \$0.8 million of share-based compensation and depreciation, and a \$0.1 million decrease in trade receivables. The primary drivers of the cash used by operations for the year ended December 26, 2020 was a decrease of \$4.4 million in contract assets net of contract liabilities, a decrease of \$1.1 million in trade payables, and our \$0.6 million operating loss, partially offset by cash provided from decreases of \$3.7 million in trade receivables, \$0.5 million in depreciation, \$0.2 million in share-based compensation, an increase of \$1.3 million in accrued compensation and benefits, and a decrease of \$0.1 million in other components of working capital.

Cash Flows from Investing Activities

Investing activities used cash of \$0.2 million during the year ended December 25, 2021 primarily related to our office remodel and computer equipment and used cash of \$0.4 million during the year ended December 26, 2020 primarily related to the purchase of equipment used to outfit our fabrication facility and to upgrade our accounting and purchasing system.

Cash Flows from Financing Activities

Financing activities provided cash of \$19.4 million during the year ended December 25, 2021 due to net proceeds from sales of common stock under the ATM Agreement and Purchase Agreement, partially offset by payments on the Revolving Credit Facility and finance leases. Financing activities provided cash of \$6.3 million during the year ended December 26, 2020 primarily due to the proceeds from the PPP Loan and Revolving Credit Facility partially offset by payments on our finance leases.

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Contractual Obligations

The Company is obligated to make future cash payments under the Revolving Credit Facility, operating leases, finance leases, and other liabilities. Amounts below are undiscounted and may differ from balances reflected on the financial statements. The table below sets forth certain information about our contractual obligations as of December 25, 2021 (in thousands):

	Payment Due by Fiscal Period				
	2022	2023	2024	2025	2026 and thereafter
Operating and finance leases	\$ 1,408	\$ 1,028	\$ 916	\$ 771	\$ 1,326
Revolving Credit Facility	-	1,035	-	-	-
Other liabilities ⁽¹⁾	500	-	-	-	-
Total	\$ 1,908	\$ 2,063	\$ 916	\$ 771	\$ 1,326

(1) Other liabilities includes short-term notes payable.

Stock Repurchase Program

On April 21, 2015, the Company announced that our Board of Directors had authorized the repurchase of up to \$2.0 million of our common stock from time to time through open market or privately negotiated transactions, based on prevailing market conditions. We were not obligated to repurchase any dollar amount or specific number of shares of common stock under the repurchase program, which may be suspended, discontinued or reinstated at any time. From April 2015 through December 2017, the Company purchased and retired 1,191,050 shares at a cost of \$1.5 million. The stock repurchase program was suspended on May 16, 2017 and was reinstated on December 19, 2018. During the years ended December 25, 2021 and December 26, 2020, no shares were repurchased. Management does not intend to repurchase any shares in the near future.

Accounts Receivable

We typically sell our products and services on short-term credit and seek to minimize our credit risk by performing credit checks and conducting our own collection efforts. Our trade accounts receivable decreased \$0.1 million, or 0.1%, to \$7.7 million as of December 25, 2021 compared to \$7.8 million as of December 26, 2020. We had bad debt expense of \$1.4 million for the year ended December 25, 2021 primarily due to a major customer filing bankruptcy during the third quarter of the year and \$0.1 of bad debt expense for the year ended December 26, 2020. Our allowance for uncollectible accounts was \$1.7 million as of December 25, 2021 and \$0.4 million as of December 26, 2020 and increased as a percentage of trade accounts receivable to 22.1% for 2021 from 5.0% for 2020. We continue to manage this portion of our business very carefully.

Risk Management

In performing services for our clients, we could potentially face liability for breach of contract, personal injury, property damage or negligence, including professional errors and omissions. We often agree to indemnify our clients for losses and expenses incurred as a result of our negligence and, in certain cases, the sole or concurrent negligence of our clients. Our quality control and assurance program includes a control function to establish standards and procedures for performance and for documentation of project tasks, and an assurance function to audit and to monitor compliance with procedures and quality standards. We maintain liability insurance for bodily injury and third-party property damage, professional errors and omissions, and workers' compensation coverage, which we consider sufficient to insure against these risks, subject to self-insured amounts.

Seasonality

Our revenues are generated by services, and therefore holidays and employee vacations during our fourth quarter negatively impact revenues for that quarter, which is only partially offset by the year-end efforts on the part of many clients to spend any remaining funds budgeted for services and capital expenditures during the year. Our clients' annual budget process is normally completed in the first quarter, which can slow the award of new work at the beginning of the year. Principally due to these factors, our first and fourth quarters are typically less robust than our second and third quarters.

Critical Accounting Policies

Please see Part II, Item 8, Note 2 - *Accounting Policies and New Accounting Pronouncements* for additional information regarding our critical accounting policies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The audited financial information below is attached hereto and made part hereof:

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Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
ENGlobal Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ENGlobal Corporation (the "Company") as of December 25, 2021 and December 26, 2020, the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 25, 2021 and December 26, 2020, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matter

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

Revenue Recognition - Estimates of Costs to Complete

As described in Note 2, the Company recognizes revenue on fixed-price contracts over time when there is a continuous transfer of control to the customer over the duration of the contract as the services are rendered. The accounting conclusions for contracts involve significant judgment, particularly as it relates to determining the amount, timing and presentation of revenue that will be recognized for each performance obligation within the contract, and the distinct number of performance obligations represented by the contract.

We identified management's estimate of costs to complete on contracts where revenue is recognized over time as a critical audit matter. On certain contracts, revenue is recognized over time using a cost-based input method that measures the extent of progress towards completion of a performance obligation. The majority of contract costs are labor costs, but costs also include material and allocable indirect expenses. Generally, revenue is recognized proportionally as labor costs are incurred. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation, execution by subcontractors, the availability and timing of funding, and overhead cost rates, among other variables. A significant change in one or more of these estimates could affect the profitability of the Company's contracts. Given the significant judgments necessary to determine the amount, timing and presentation of revenue and to estimate total costs for the performance obligations that recognize revenue using a cost-based input method, auditing such estimates required extensive audit effort due to the complexity of these fixed-price contracts and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

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

- Performing journal entry testing procedures to address the presumed fraud risk over revenue.
- For a selection of uncompleted contracts projected to be an overall loss, inquiring of project managers and management to ensure that all losses have been accrued.

For a selection of contracts, performing elements of the following for each contract:

- Confirming relevant contract terms including contract price and related change orders, revenue earned to date, retainage, balance currently due, and estimated completion date.
- Reviewing the terms and conditions of each contract and any related modifications to evaluate the appropriateness of the accounting treatment in accordance with generally accepted accounting principles.
- Testing the accuracy and completeness of the costs incurred to date for the performance obligation.
- Evaluating the estimates of total cost and fees for the performance obligation by:
 - Comparing costs incurred to date to the costs management estimated to be incurred by that date.
 - Evaluating management's ability to achieve the estimates of total cost by performing corroborating inquiries with the Company's project managers and comparing the estimates to management's work plans.
- Testing the mathematical accuracy of management's calculation of revenue for the performance obligation.
- Performing a gross margin fade analysis during the year and a look-back analysis on completed contracts to assess variances between actual and estimated costs to complete.

/s/ Moss Adams LLP

Houston, Texas
March 10, 2022

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

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ENGLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share amounts)

ASSETS	December 25, 2021	December 26, 2020
Current Assets:		
Cash	\$ 19,202	\$ 13,706
Trade receivables, net of allowances of \$1,673 and \$386	7,692	7,789
Prepaid expenses and other current assets	958	891
Payroll tax receivable	3,065	-
Contract assets	4,177	4,090
Total Current Assets	35,094	26,476
Property and equipment, net	1,698	1,263
Goodwill	720	720
Other assets		
Right of use asset	4,251	1,628
Deposits and other assets	306	351
Total Other Assets	4,557	1,979
Total Assets	\$ 42,069	\$ 30,438

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 2,001	\$ 2,138
Accrued compensation and benefits	2,183	3,048
Current portion of leases	1,389	1,541
Contract liabilities	2,054	1,258
Current portion of note	-	3,707
Current portion of deferred payroll tax	537	-
Other current liabilities	667	745
Total Current Liabilities	8,831	12,437
Deferred payroll tax	-	1,037
Long-term debt	1,035	2,733
Long-term leases	4,012	608
Total Liabilities	13,878	16,815
Commitments and Contingencies (Note 16)		
Stockholders' Equity:		
Common stock - \$0.001 par value; 75,000,000 shares authorized; 35,230,675 and 27,560,686 shares issued and outstanding at December 25, 2021 and December 26, 2020, respectively	35	28
Additional paid-in capital	57,403	37,157
Accumulated deficit	(29,247)	(23,562)
Total Stockholders' Equity	28,191	13,623
Total Liabilities and Stockholders' Equity	\$ 42,069	\$ 30,438

See accompanying notes to consolidated financial statements.

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ENGLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share amounts)

	Year Ended December 25, 2021	Year Ended December 26, 2020
Operating revenues	\$ 36,410	\$ 64,449
Operating costs	37,053	55,998
Gross profit (loss)	(643)	8,451
Operating costs and expenses:		
Selling, general, and administrative expenses	12,833	8,834
Operating loss	(13,476)	(383)
Other income (expense)		
Interest expense, net	(212)	(153)
Other income, net	8,063	14
Loss before income taxes	(5,625)	(522)
Provision for federal and state income taxes	(60)	(103)
Net loss	\$ (5,685)	\$ (625)

Basic and diluted loss per common share	\$ (0.18)	\$ (0.02)
Basic and diluted weighted average shares used in computing loss per share:	31,888	27,474

See accompanying notes to consolidated financial statements.

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ENGLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(amounts in thousands)

	Year Ended December 25, 2021	Year Ended December 26, 2020
Common Stock		
Balance at beginning of year	\$ 27	\$ 27
Common stock issued	8	1
Balance at end of year	35	27
Additional Paid-in Capital		
Balance at beginning of year	37,157	36,934
Share-based compensation - employee	270	223
Common stock issued	19,976	-
Balance at end of year	57,403	37,157
Accumulated Deficit		
Balance at beginning of year	(23,562)	(22,937)
Net loss	(5,685)	(625)
Balance at end of year	(29,247)	(23,562)
Total Stockholders' Equity	\$ 28,191	\$ 13,623

See accompanying notes to consolidated financial statements.

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ENGLOBAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Year Ended December 25, 2021	Year Ended December 26, 2020
Cash Flows from Operating Activities:		
Net loss	\$ (5,685)	\$ (625)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	561	449
Share-based compensation expense	270	223
Forgiveness of PPP Loan	(4,949)	-
Changes in current assets and liabilities:		
Trade accounts receivable	97	3,646
Contract assets	(87)	(228)
Other current assets	(3,087)	(46)
Accounts payable	(137)	(1,123)
Accrued compensation and benefits	(1,365)	1,301
Contract liabilities	796	(4,180)
Income taxes payable	(38)	(57)
Other current liabilities, net	(40)	121
Net cash used in operating activities	\$ (13,664)	\$ (519)
Cash Flows from Investing Activities:		
Property and equipment acquired	(240)	(428)
Net cash used in investing activities	\$ (240)	\$ (428)
Cash Flows from Financing Activities:		
Issuance of common stock, net	19,984	-
Payments on finance leases	(129)	(93)
Proceeds from PPP loan	-	4,949
Proceeds (payments) from revolving credit facility	(455)	1,490
Net cash provided by financing activities	\$ 19,400	\$ 6,346
Net change in cash	5,496	5,399
Cash at beginning of year	13,706	8,307
Cash at end of year	\$ 19,202	\$ 13,706
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 212	\$ 153
Right of use assets obtained in exchange for new operating lease liability	\$ 4,014	\$ 963
Leased assets obtained in exchange for new finance lease liabilities	\$ 665	\$ 219
Cash paid during the year for income taxes (net of refunds)	\$ 151	\$ 86
Non-cash transaction: PPP loan forgiveness	\$ 4,974	\$ -

See accompanying notes to consolidated financial statements.

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NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Organization and Operations - ENGlobal Corporation is a Nevada corporation formed in 1994. Unless the context requires otherwise, references to “we”, “us”, “our”, “the Company” or “ENGlobal” are intended to mean the consolidated business and operations of ENGlobal Corporation. Our business operations consist of providing innovative, delivered project solutions to our clients by combining our vertically-integrated engineering and professional project execution services with our automation and systems integration expertise and our fabrication and construction capabilities primarily to the energy industry. Please see “Note 14 - Segment Information” for a description of our segments and segment operations.

Basis of Presentation - The accompanying consolidated financial statements and related notes present our consolidated financial position as of December 25, 2021 and December 26, 2020, and the results of our operations, cash flows and changes in stockholders’ equity for the 52 week period ended December 25, 2021 and for the 52 week period ended December 26, 2020. They are prepared in accordance with accounting principles generally accepted in the United States of America. Certain amounts for prior periods have been reclassified to conform to the current presentation. In preparing financial statements, management makes informed judgments and estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements and affect the reported amounts of revenues and expenses during the reporting periods. On an ongoing basis, management reviews its estimates, including those related to percentage-of-completion contracts in progress, litigation, income taxes, impairment of long-lived assets and fair values. Changes in facts and circumstances or discovery of new information may result in revised estimates. Actual results could differ from these estimates.

NOTE 2 - ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Consolidation Policy - Our consolidated financial statements include our accounts and those of our wholly-owned subsidiaries.

Fair Value Measurements - Fair value is defined as the amount that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between unrelated third-party market participants at the measurement date. In determination of fair value measurements for assets and liabilities we consider the principal, or most advantageous market, and assumptions that market participants would use when pricing the asset or liability.

Cash and cash equivalents - Cash and cash equivalents include all cash on hand, demand deposits and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Our cash balance at financial institutions may exceed Federal Deposit Insurance Corporation (“FDIC”) insured amounts from time to time.

Receivables - Our components of trade receivables include amounts billed, amounts unbilled, retainage and allowance for uncollectible accounts. Subject to our allowance for uncollectible accounts, all amounts are believed to be collectible within a year. There are no amounts unbilled representing claims or other similar items subject to uncertainty concerning their determination or ultimate realization. In estimating the allowance for uncollectible accounts, we consider the length of time receivable balances have been outstanding, historical collection experience, current economic conditions and customer specific information. When we ultimately conclude that a receivable is uncollectible, the balance is charged against the allowance for uncollectible accounts.

Concentration of Credit Risk - Financial instruments which potentially subject ENGlobal to concentrations of credit risk consist primarily of trade accounts and notes receivable. Although our services are provided largely to the energy sector, management believes the risk due to this concentration is limited because a significant portion of our services are provided under contracts with major integrated oil and gas companies and other industry leaders. When we enter into contracts with smaller customers, we may incur an increased credit risk.

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Our businesses or product lines are largely dependent on a few relatively large customers. Although we believe we have an extensive customer base, the loss of one of these large customers or if such customers were to incur a prolonged period of decline in business, our financial condition and results of operations could be adversely affected. Two customers provided more than 10% each of our consolidated operating revenues for the year ended December 25, 2021 (30.5% and 22.6%). For the year ended December 26, 2020, four customers provided more than 10% each of our consolidated operating revenues (25.1%, 17.9%, 13.9%, and 13.8%). Amounts included in trade receivables related to these customers totaled \$0.1 million and \$1.2 million, respectively, at December 25, 2021 and \$0.0 million, \$0.6 million, \$0.8 million and \$1.5 million, respectively, at December 26, 2020.

We extend credit to customers in the normal course of business. We have established various procedures to manage our credit exposure, including initial credit approvals, credit limits and terms, letters of credit, and occasionally through rights of offset. We also use prepayments and guarantees to limit credit risk to ensure that our established credit criteria are met. Our most significant exposure to credit risks relates to situations under which we provide services early in the life of a project that is dependent on financing. Risks increase in times of general economic downturns and under conditions that threaten project feasibility.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated service lives of our asset groups are as follows:

Asset Group	Years
Shop equipment	5 - 10
Furniture and fixtures	5 - 7
Computer equipment; Autos and trucks	3 - 5
Software	3 - 5

Leasehold improvements are amortized over the remaining term of the related lease. See Note 4 for details related to property and equipment and related depreciation. Expenditures for maintenance and repairs are expensed as incurred. Upon disposition or retirement of property and equipment, any gain or loss is charged to operations.

Goodwill - Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired and liabilities assumed. Goodwill is not amortized but rather is tested and assessed for impairment annually, or more frequently if certain events or changes in circumstance indicate the carrying amount may exceed fair value. The annual test for goodwill impairment is performed in the fourth quarter of each year.

The Company compares its fair value of a reporting unit and the carrying value of the reporting unit to measure goodwill impairment. Fair value was determined by applying a historical earnings multiple times the cash flow of the operating unit after allocation of certain corporate overhead. Estimating the cash flow of the operating unit requires the use of significant estimates and assumptions, including revenue growth rates, operating margins, discount rates and future market conditions, among others. It is possible that changes in market conditions, economy, facts, circumstances, judgments and assumptions used in estimating the fair value could change, resulting in possible impairment of goodwill in the future.

We performed a qualitative assessment of goodwill for each of the years ended December 25, 2021 and December 26, 2020. This assessment indicated that there was no impairment of goodwill for the years ended December 25, 2021 and December 26, 2020.

Impairment of Long-Lived Assets - We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The recoverability of long-lived assets is measured by comparison the future undiscounted cash flows expected to result from the use and eventual disposition of the asset to the carrying value of the asset. Estimates of expected future cash flows represent management’s best estimate based on reasonable and supportable assumptions. If the carrying amount is not recoverable, an impairment loss is measured as the excess of the asset’s carrying value over its fair value. We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one method, including, but not limited to, recent third-party comparable sales, internally developed discounted cash flow analysis and analysis from outside advisors. During 2021 and 2020 there were no events or changes in circumstances that indicated that the carrying amount of our assets may not be recoverable.

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Revenue Recognition - Our revenue is comprised of engineering, procurement and construction management services and sales of fabricated systems and integrated control systems that we design and assemble. The majority of our services are provided under time-and-material contracts. Some time-and-material contracts may have limits not to exceed. Revenue is not recognized over these limits until authorization by the client has been received.

A majority of sales of fabrication and assembled systems are under fixed-price contracts. We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

We generally recognize revenue over time as we perform because of continuous transfer of control to the customer. Our customer typically controls the work in process as evidenced either by contractual termination clauses or by our rights to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or service to be provided, which measures the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. We generally use the cost-to-cost method on the labor portion of a project for revenue recognition to measure progress of our contracts

because it best depicts the transfer of control to the customer which occurs as we consume the materials on the contracts. Therefore, revenues and estimated profits are recorded proportionally as labor costs are incurred.

Under the typical payment terms of our fixed-price contracts, the customer pays us progress payments. These progress payments are based on quantifiable measures of performance or on the achievement of specified events or milestones. The customer may retain a small portion of the contract price until completion of the contract. Revenue recognized in excess of billings is recorded as a contract asset on the balance sheet. Amounts billed and due from our customers are classified as receivables on the balance sheet. The portion of the payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer should we fail to adequately complete some or all of our obligations under the contract. For some contracts we may receive advance payments from the customer. We record a liability for these advance payments in contract liabilities on the balance sheet. The advance payment typically is not considered a significant financing component because it is used to meet working capital demand that can be higher in the early stages of a contract and to protect us from the other party failing to adequately complete some or all of its obligations under the contract.

To determine proper revenue recognition for contracts, we evaluate whether two or more contracts should be combined and accounted for as one single performance obligation or whether a single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. For most of our contracts, we provide a significant service of integrating a complex set of tasks and components into a single project. Hence, the entire contract is accounted for as one performance obligation. Less commonly, we may provide distinct goods or services within a contract in which case we separate the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, we allocate the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling price of the promised goods or services underlying each performance obligation and use the expected cost plus margin approach to estimate the standalone selling price of each performance obligation. Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex, subject to variables and requires significant judgment. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us.

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Contracts are often modified to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or a reduction of revenue) on a cumulative catch-up basis.

We have a standard, monthly process in which management reviews the progress and execution of our performance obligations. As part of this process, management reviews information including, but not limited to, any outstanding key contract matters, progress towards completion and the related program schedule, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include management's judgment about the ability and cost to achieve the schedule, technical requirements, and other contractual requirements. Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation, execution by our subcontractors, the availability and timing of funding from our customer and overhead cost rates, among other variables.

Based on this analysis, any adjustments to revenue, operating costs and the related impact to operating income are recognized as necessary in the period they become known. These adjustments may result from positive performance and may result in an increase in operating income during the performance of individual performance obligations if we determine we will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations or realizing related opportunities. When estimates of total costs to be incurred exceed total estimates to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is estimated. Likewise, these adjustments may result in a decrease in operating income if we determine we will not be successful in mitigating these risks or realizing related opportunities. Changes in estimates of net revenue, operating costs and the related impact to operating income are recognized monthly on a cumulative catch-up basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of our performance obligations.

Incremental Costs - Our incremental costs of obtaining a contract, which may consist of sales commission and proposal costs, are reviewed and those costs that are immaterial to the financial statements are expensed as they occur. Those costs that are deemed to be material to the contract are deferred and amortized over the period of contract performance. We classify incremental costs as current or noncurrent based on the timing of when we expect to recognize the expense. The current and noncurrent portions of incremental costs are included in prepaid expenses and other current assets and other assets, net, respectively in our consolidated balance sheet. We had no incremental costs that met our materiality threshold in 2021 or 2020.

Income Taxes - We account for deferred income taxes in accordance with FASB ASC Topic 740 "Income Taxes" ("ASC 740"), which provides for recording deferred taxes using an asset and liability method. We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax bases of assets and liabilities including net operating loss and tax credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to reverse. The provision for income taxes represents the current taxes payable or refundable for the period plus or minus the tax effect of the net change in the deferred tax assets and liabilities during the period. Tax law and rate changes are reflected in income in the period such changes are enacted.

A valuation allowance is recorded to reduce previously recorded tax assets when it becomes more-likely-than-not such asset will not be realized. We evaluate the realizability of deferred tax assets based on all available evidence, both positive and negative, regarding historical operating results, including the estimated timing of future reversals of existing taxable temporary differences, estimated future taxable income exclusive of reversing temporary differences and carryforwards and potential tax planning strategies which may be employed to prevent an operating loss or tax credit carryforward from expiring unused.

We account for uncertain tax positions in accordance with ASC 740. When uncertain tax positions exist, we recognize the tax benefit of the tax positions to the extent that the benefit will more-likely-than-not be realized. The determination as to whether the tax benefit will more-likely-than-not be realized is based upon technical merits of the tax positions as well as consideration of the available facts and circumstances. The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes.

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Earnings per Share - Our basic earnings per share ("EPS") amounts have been computed based on the weighted average number of shares of common stock outstanding for the period. Diluted EPS amounts include the effect of common stock equivalents associated with outstanding stock options, restricted stock awards and restricted stock units, if including such potential shares of common stock is dilutive. We only had restricted stock awards outstanding during 2021 and 2020.

Treasury Stock - We use the cost method to record treasury stock purchases whereby the entire cost of the acquired shares of our common stock is recorded as treasury stock (at cost). When we subsequently retire these shares, the cost of the shares acquired are recorded in common stock and additional paid-in capital. There were no treasury stock purchases in 2021 and 2020.

Stock-Based Compensation - We have issued stock-based compensation in the form of non-vested restricted stock awards to directors, employees and officers. We apply the provisions of ASC Topic 718 "Compensation - Stock Compensation" ("ASC 718") and recognize compensation expense over the applicable service for all stock-based compensation based on the grant date fair value of the award.

The Company accounts for restricted stock awards granted to consultants using the accounting guidance included in ASC 505-50 "Equity-Based Payments to Non-Employees" ("ASC 505-50"). All transactions in which services are received in exchange for share-based awards are accounted for based on the fair value of the consideration received or the fair value of the awards issued, whichever is more reliably measurable. Share-based compensation is measured at fair value at the earlier of the commitment date or the date the services are completed.

NOTE 3 - DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

The components of trade receivables, net as of December 25, 2021 and December 26, 2020, are as follows (amounts in thousands):

	2021	2020
Amounts billed	\$ 5,810	\$ 5,050
Amounts unbilled	867	1,455
Retainage	2,688	1,670
Less: Allowance for uncollectible accounts	(1,673)	(386)
Trade receivables, net	<u>\$ 7,692</u>	<u>\$ 7,789</u>

The components of prepaid expense and other current assets are as follows as of December 25, 2021 and December 26, 2020 (amounts in thousands):

	2021	2020
Prepaid expenses	\$ 917	\$ 843
Other receivables - employee	41	48
Prepaid expenses and other current assets	<u>\$ 958</u>	<u>\$ 891</u>

The components of other current liabilities are as follows as of December 25, 2021 and December 26, 2020 (amounts in thousands):

	2021	2020
Accrual for known contingencies	\$ 104	\$ 215
Customer prepayments	4	4
Gross receipts tax payable	35	23
State income taxes payable	33	83
Insurance payable	491	420
Other current liabilities	<u>\$ 667</u>	<u>\$ 745</u>

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Our accrual for known contingencies includes litigation accruals, if any. See "Note 16 - Commitments and Contingencies" for further information.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 25, 2021 and December 26, 2020 (amounts in thousands):

	2021	2020
Computer equipment and software	\$ 1,397	\$ 1,170
Shop equipment	2,252	1,683
Furniture and fixtures	197	193
Leasehold improvements	836	845
Autos and trucks	83	87
	<u>\$ 4,765</u>	<u>\$ 3,978</u>
Accumulated depreciation and amortization	(3,067)	(2,715)
Property and equipment, net	<u>\$ 1,698</u>	<u>\$ 1,263</u>

Depreciation expense was \$0.5 million and \$0.4 million for the years ended December 25, 2021 and December 26, 2020, respectively.

NOTE 5 - REVENUE RECOGNITION

Our revenue by contract type are as follows (amounts in thousands):

	For the Years Ended	
	December 25, 2021	December 26, 2020
Fixed-price revenue	\$ 21,205	\$ 35,822
Time-and-material revenue	15,205	28,627
Total Revenue	<u>36,410</u>	<u>64,449</u>

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NOTE 6 - CONTRACTS

Costs, estimated earnings, and billings on uncompleted contracts consist of the following at December 25, 2021 and December 26, 2020 (amounts in thousands):

	2021	2020
Costs incurred on uncompleted contracts	\$ 36,429	\$ 39,154
Estimated earnings on uncompleted contracts	4,866	4,388
Earned revenues	41,295	43,542
Less: billings to date	39,172	40,710
Net costs in excess of billings on uncompleted contracts	<u>\$ 2,123</u>	<u>\$ 2,832</u>
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 4,177	\$ 4,090
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,054)	(1,258)
Net costs in excess of billings on uncompleted contracts	<u>\$ 2,123</u>	<u>\$ 2,832</u>

Revenue on fixed-price contracts is recorded primarily using the percentage-of-completion (cost-to-cost) method. Revenue and gross margin on fixed-price contracts are subject to revision throughout the lives of the contracts and any required adjustments are made in the period in which the revisions become known. To manage unknown risks, management may use contingency amounts to increase the estimated costs, therefore, lowering the earned revenues until the risks are better identified and quantified or have been mitigated. We had \$0.2 million in contingency amounts as of December 25, 2021 and had \$0.2 million in contingency amounts as of December 26, 2020. Losses on contracts are recorded in full as they are identified.

We recognize service revenue as soon as the services are performed. For clients that we consider higher risk, due to past payment history or history of not providing written work authorizations, we have deferred revenue recognition until we receive either a written authorization or a payment. We had \$0.0 million in deferred revenue for the year ended December 25, 2021 and \$0.3 million for the year ended December 26, 2020. This deferred revenue represents work on not to exceed contracts that has been performed but has not been billed or been recorded as revenue due to our revenue recognition policies as the work was performed outside the contracted amount without obtaining proper work order changes. It is uncertain as to whether these revenues will eventually be recognized by us or the proceeds collected. The costs associated with these billings have been expensed as incurred.

NOTE 7 - DEBT

The components of debt are as follows (amounts in thousands):

	December 25, 2021	December 26, 2020
PPP Loan (1)	\$ -	\$ 4,949
Revolving Credit Facility (2)	1,035	1,491
Total debt	1,035	6,440
Amount due within one year	-	3,707
Total long-term debt	<u>\$ 1,035</u>	<u>\$ 2,733</u>

- (1) On April 13, 2020, the Company was granted an unsecured loan (the "PPP Loan") from Origin Bank in the aggregate principal amount of \$4,915,800 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The PPP Loan was evidenced by a promissory note, dated as of April 13, 2020 (the "Note"), by the Company in favor of Origin Bank, as lender.

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On November 30, 2020, our lender, Origin Bank, transmitted our PPP Loan forgiveness application to the U.S. Small Business Administration. On July 12, 2021, we received notification from Origin Bank that the PPP Loan was forgiven in full by the U.S. Small Business Administration at which time the Company recognized the extinguishment of debt as other income.

- (2) On May 21, 2020 (the "Closing Date"), the Company and its wholly owned subsidiaries, ENGlobal U.S., Inc. and ENGlobal Government Services, Inc. (collectively, the "Borrowers") entered into a Loan and Security Agreement (the "Revolving Credit Facility") with Pacific Western Bank dba Pacific Western Business Finance, a California state-chartered bank (the "Lender"), pursuant to which the Lender agreed to extend credit to the Borrowers in the form of revolving loans (each a "Loan" and collectively, the "Loans") in the aggregate amount of up to \$6.0 million (the "Maximum Credit Limit").

Set forth below are certain of the material terms of the Revolving Credit Facility:

Credit Limit: The credit limit is an amount equal to the lesser of (a) the Maximum Credit Limit and (b) the sum of (i) 85% of the Borrowers' Eligible Accounts (as defined in the Revolving Credit Facility), plus (ii) the lesser of (A) 75% of the Borrowers' Eligible Unbilled Accounts (as defined in the Revolving Credit Facility), or (B) \$3,000,000 plus (iii) the lesser of (A) 20% of Borrowers' Eligible Fixed Price Accounts, or (B) \$250,000. As of December 25, 2021, the credit limit under the Revolving Credit Facility was \$2.0 million.

Interest: Any Loans will bear interest at a rate per annum equal to the Prime rate (defined as the rate announced as the "prime rate" or "bank prime rate" in the Western Edition of the Wall Street Journal) plus 2.0%; provided that interest will not be less than \$7,500 per month.

Collateral: Lender receives a first priority lien on all assets of the Borrowers, including accounts receivable, inventory, equipment, deposit accounts, general intangibles and investment property.

Maturity: The maturity date is May 20, 2023 and shall be automatically extended for additional periods of one-year each, if written notice of termination is not given by one party to the other at least thirty days prior to the maturity date.

Loan Fee: The Borrowers will pay to Lender a loan fee of 1.00% of the Maximum Credit Limit at the time of funding and annually thereafter on the anniversary date of the initial funding.

Termination Fee: In the event the Borrowers terminate the Revolving Credit Facility prior to the maturity date, the Borrowers will pay to Lender a termination fee of (i) 2.00% of the Maximum Credit Limit, if the termination occurs on or prior to the first anniversary of the Closing Date, (ii) 1.00% of the Maximum Credit Limit, if the termination occurs after the first anniversary of the Closing Date and on or prior to the second anniversary of the Closing Date and (iii) 0.05% of the Maximum Credit Limit, if the termination occurs after the second anniversary of the Closing Date.

Covenants: The Revolving Credit Facility requires the Borrowers to comply with certain customary affirmative covenants, and negative covenants that, among other things, restrict, subject to certain exceptions, the ability of the Borrowers to engage in mergers, acquisitions or other transactions outside of the ordinary course of business, make loans or investments, incur indebtedness, pay dividends or repurchase stock, or engage in affiliate transactions. The Revolving Credit Facility does not require the Borrowers to comply with any financial covenants.

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The future scheduled maturities of our debt are (amounts in thousands):

	Revolving Credit Facility
2022	\$ -
2023	1,035
Thereafter	-
	<u>\$ 1,035</u>

NOTE 8 - LEASES

The Company leases land, office space and equipment. Arrangements are assessed at inception to determine if a lease exists and, with the adoption of ASC 842, "Leases," right-of-use ("ROU") assets and lease liabilities are recognized based on the present value of lease payments over the lease term. Because the Company's leases do not provide an implicit rate of return, the Company uses its incremental borrowing rate at the inception of a lease to calculate the present value of lease payments. The Company has elected to apply the short-term lease exception for all asset classes, excluding lease liabilities from the balance sheet and recognizing the lease payments in the period they are incurred.

The components of lease expense are as follows (amounts in thousands):

	Financial Statement Classification	Year ended December 25, 2021	Year ended December 26, 2020
Finance leases:			
Amortization expense	SG&A Expense	\$ 100	\$ 92
Interest expense	Interest expense, net	17	20
		<u>\$ 117</u>	<u>\$ 112</u>
Operating leases:			
Operating costs	Operating costs	507	633
Selling, general and administrative expenses	SG&A Expense	1,728	1,830
		<u>\$ 2,235</u>	<u>\$ 2,463</u>
Total lease expense		<u>\$ 2,352</u>	<u>\$ 2,575</u>

Supplemental balance sheet information related to leases are as follows (amounts in thousands):

	Financial Statement Classification	December 25, 2021	December 26, 2020
ROU Assets:			
Operating leases	Right of Use asset	\$ 4,251	\$ 1,628
Finance leases	Property and equipment, net	979	442
Total ROU Assets:		<u>\$ 5,230</u>	<u>\$ 2,070</u>
Lease liabilities:			
Current liabilities			
Operating leases	Current portion of leases	\$ 1,153	\$ 1,421
Finance leases	Current portion of leases	236	120
Noncurrent Liabilities:			
Operating leases	Long Term Leases	3,269	286
Finance leases	Long Term Leases	743	322
Total lease liabilities		<u>\$ 5,401</u>	<u>\$ 2,149</u>

The weighted average remaining lease term and weighted average discount rate are as follows:

	December 25, 2021	December 26, 2020
Weighted average remaining lease term (years)		
Operating leases	4.8	1.2
Finance leases	4.4	4.2
Weighted average discount rate		
Operating leases	0.8%	1.7%
Finance leases	2.1%	5.8%

Maturities of operating lease liabilities as of December 25, 2021 are as follows (dollars in thousands):

Year ending:	Operating leases	Finance leases	Total
2022	1,162	248	1,410
2023	803	228	1,031
2024	710	208	918
2025	600	172	772
2026 and thereafter	1,185	142	1,327
Total lease payments	4,460	998	5,458
Less: imputed interest	(37)	(20)	(57)
Total lease liabilities	<u>\$ 4,423</u>	<u>\$ 978</u>	<u>\$ 5,401</u>

NOTE 9 - EMPLOYEE BENEFIT PLANS

ENGlobal sponsors a 401(k) plan for its employees. The Company, at the direction of the Board of Directors, may make discretionary contributions. Our employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. The Company does not currently match employees' deferrals. The match was suspended beginning December 30, 2018 and no contributions were made during the years ended December 25, 2021 and December 26, 2020.

NOTE 10 - STOCK COMPENSATION PLANS

The Company's 2021 Long Term Incentive Plan (the "Long Term Incentive Plan"), currently provides for the aggregate issuance of up to 1,500,000 shares of common stock. The Long Term Incentive Plan provides for grants of non-statutory options, incentive stock options, restricted stock awards, performance shares, performance units, restricted stock units and other stock-based awards, in order to enhance the ability of ENGlobal to motivate current employees, to attract employees of outstanding ability and to provide for grants to be made to non-employee directors. At December 25, 2021, 1,399,365 shares of common stock are available to be issued pursuant to the Long Term Incentive Plan.

We recognized non-cash stock-based compensation expense related to our Long Term Incentive Plan and the expired Amended and Restated 2009 Equity Incentive Plan of \$0.3 million for the year ended December 25, 2021 and \$0.2 million for the year ended December 26, 2020.

Restricted Stock Awards - Restricted stock awards granted to non-employee directors are intended to compensate and retain the directors over the one-year service period commencing July 1 of the year of service. These awards generally vest in quarterly installments beginning September 30th of the year of grant, so long as the grantee continues to serve as a director of the Company as of each vesting date. Restricted stock awards granted to employees generally vest in four equal annual installments on the anniversary date of grant, so long as the grantee remains employed full-time with us as of each vesting date. Restricted stock awards are generally issued as new shares at the time of grant. The grant-date fair value of restricted stock grants is determined using the closing quoted market price on the grant date.

The following is a summary of the status of our restricted stock awards and of changes in restricted stock outstanding for the year ended December 25, 2021:

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	Number of unvested restricted shares	Weighted-average grant-date fair value
Outstanding at December 26, 2020	145,296	\$ 1.05
Granted	140,750	3.09
Vested	130,381	1.24
Forfeited	39,034	1.44
Outstanding at December 25, 2021	<u>116,631</u>	<u>\$ 3.07</u>

As of December 25, 2021, there was \$0.3 million of total unrecognized compensation cost related to unvested restricted stock awards which is expected to be recognized over a weighted-average period of 2 years. During the year ended December 25, 2021, the Company granted the following restricted stock awards.

Date Issued	Issued to	Number of Shares	Market Price	Fair Value
March 9, 2021	Director (1)	5,656	\$ 4.42	\$ 25,000
March 9, 2021	Employees (10)	56,557	\$ 4.42	\$ 250,000
June 1, 2021	Employee (1)	2,778	\$ 3.60	\$ 10,000
August 26, 2021	Directors (3)	75,759	\$ 1.98	\$ 150,000

During the year ended December 26, 2020, the Company granted the following restricted stock awards.

Date Issued	Issued to	Number of Shares	Market Price	Fair Value
June 11, 2020	Directors (3)	147,060	\$ 1.02	\$ 150,000

NOTE 11 - TREASURY STOCK

On April 21, 2015, we announced that the Board of Directors had authorized the repurchase of up to \$2.0 million of our common stock from time to time through open market or privately negotiated transactions, based on prevailing market conditions. We are not obligated to repurchase any dollar amount or specific number of shares of common stock under the repurchase program, which may be suspended, discontinued or reinstated at any time. As of December 25, 2021, the Company had purchased and retired 1,290,460 shares for \$1.6 million under this program. The stock repurchase program was suspended from May 16, 2017 and was reinstated on December 19, 2018. No shares were repurchased during the year ended December 25, 2021. Management does not intend to repurchase any shares in the near future.

NOTE 12 - REDEEMABLE PREFERRED STOCK

We are authorized to issue 2,000,000 shares of Preferred Stock, par value \$0.001 per share (the "Preferred Stock"). The Board of Directors has the authority to approve the issuance of all or any of these shares of the Preferred Stock in one or more series, to determine the number of shares constituting any series and to determine any voting powers, conversion rights, dividend rights and other designations, preferences, limitations, restrictions and rights relating to such shares. While there are no current plans to issue the Preferred Stock, it was authorized in order to provide the Company with flexibility to take advantage of contingencies such as favorable acquisition opportunities.

NOTE 13 - FEDERAL AND STATE INCOME TAXES

The components of our income tax expense for the years ended December 25, 2021 and December 26, 2020 are as follows (amounts in thousands):

	2021	2020
Current:		
State	60	103
Total current	60	103
Deferred:		
Federal	(35)	(25)
State	35	25
Total deferred	-	-
Total income tax expense	\$ 60	\$ 103

The following is a reconciliation of expected income tax benefit to actual income tax expense for the years ended December 25, 2021 and December 26, 2020 (amounts in thousands):

	2021	2020
Federal income tax (benefit) at statutory rate of 21%	\$ (1,181)	\$ (110)
State income tax, net of federal income tax effect	(43)	64
Nondeductible expenses	(31)	29
Nontaxable PPP Loan Forgiveness	(1,044)	-
State RTA	(13)	-
Prior year adjustments and true-ups	(32)	36
Change in valuation allowance	2,404	84
Total tax expense	\$ 60	\$ 103

The components of the deferred tax asset (liability) consisted of the following at December 25, 2021 and December 26, 2020 (amounts in thousands):

	2021	2020
Noncurrent Deferred tax assets		
Federal and state net operating loss carryforward	\$ 9,503	\$ 7,036
Tax credit carryforwards	1,977	1,971
Allowance for uncollectible accounts	380	93
Accruals not yet deductible for tax purposes	488	613
Goodwill	236	364
Depreciation	-	3
Lease payable	992	390
Total noncurrent deferred tax assets	13,576	10,470
Less: Valuation allowance	(12,419)	(10,016)
Total noncurrent deferred tax assets, net	\$ 1,157	\$ 454
Noncurrent deferred tax liabilities:		
Depreciation	(49)	-
Other	(126)	(70)
Right to use asset	(982)	(384)
Total noncurrent deferred tax liabilities	(1,157)	(454)
Net deferred tax assets/deferred tax Liabilities	\$ -	\$ -

We account for uncertain tax positions in accordance with ASC 740. When uncertain tax positions exist, we recognize the tax benefit of the tax positions to the extent that the benefit will more likely than not be realized. The determination as to whether the tax benefit will more likely than not be realized is based upon technical merits of the tax positions as well as consideration of the available facts and circumstances. We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of December 25, 2021 and December 26, 2020, we do not have any significant uncertain tax positions.

We record a valuation allowance to reduce the carrying value of our deferred tax assets when it is more likely than not that a portion or all of the deferred tax assets will expire before realization of the benefit or future deductibility is not probable. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character and in the related jurisdiction in the future. In evaluating our ability to recover our deferred tax assets, we consider the available positive and negative evidence, including our past operating results, the existence of cumulative losses in the most recent years and our forecast of future taxable income. In estimating future taxable income, we develop assumptions, including the amount of pretax operating income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment. During 2021, after evaluating all available evidence, we recorded a valuation allowance on all net deferred tax assets.

For the year ended December 25, 2021, we recognized a total income tax expense of \$60 thousand on a pretax book loss of \$5.6 million compared to an income tax expense of \$103 thousand on a pretax book loss of \$0.5 million for the year ended December 26, 2020. As a result of permanent difference add-backs to taxable income related to the PPP Loan forgiveness and stock compensation, the tax expense decreased by \$1.0 million and \$31 thousand, respectively, which decreased the effective tax rate by 18.6% and 0.6%, respectively. An increase of \$2.4 million in the valuation allowance decreased the effective tax rate by 42.8%. State income tax (net of Federal) expense in the amount of \$43 thousand decreased the effective tax rate by 0.8% mainly due to Texas margins tax. Federal and state tax true-ups decreased tax expense in the amount of \$44 thousand and decreased the effective tax rate by 0.8%.

As of December 25, 2021 the Company has a gross federal net operating loss carry-forward of approximately \$41.4 million, which will begin to expire in 2032. Under the Tax Cuts and Jobs Act of 2017 ("TCJA"), net operating losses ("NOL's") generated in tax year 2018 and forward have an indefinite carryforward but are limited to 80% of taxable income when utilized. For NOL's incurred in tax year 2017 and prior, the limitation to 80% of taxable income does not apply, but the NOL's are subject to expiration.

NOTE 14 - SEGMENT INFORMATION

Reporting Segments

Our segments are strategic business units that offer our services and products to customers in their respective industry segments. The operating performance of our segments is regularly reviewed with operational leaders in charge of these segments, the chief executive officer ("CEO"), the chief financial officer ("CFO") and others. This group represents the chief operating decision maker ("CODM") for ENGlobal.

We have identified four strategic markets where we have a long history of delivering project solutions and can provide complete project execution. These four targeted markets include: (i) Renewables, (ii) Automation, (iii) Oil, Gas, and Petrochemicals, and (iv) Government Services.

Within the Renewables group, our focus is to design and build production facilities for hydrogen and associated products, together with converting existing production facilities to produce products from renewable feedstock sources. These projects often utilize technologies that are more fuel efficient, and therefore reduce the associated carbon footprint of the facility. Our scope of work on these projects will typically include front-end development, engineering, procurement, mechanical fabrication, automation and commissioning services, and may be performed in conjunction with a construction partner.

Our Automation group provides the design and programming of automated control systems as well as designs, fabricates, integrates and commissions modular systems that include remote instrumentation control stations, on-line process analytical data, continuous emission monitoring, and electric power distribution. Often these packaged systems are housed in a fabricated metal enclosure, modular building or freestanding metal rack, which are commonly included in our scope of work. We provide automation engineering, procurement, fabrication, systems integration, programming and on-site commissioning services to our clients for both new and existing facilities.

Our Oil, Gas, and Petrochemicals group focuses on providing engineering, procurement, construction, and automation services as well as fabricated products to downstream refineries and petrochemical facilities as well as midstream pipeline, storage and other transportation related companies. These services are often applied to small capital improvement and maintenance projects within refineries and petrochemical facilities. For our transportation clients, we work on facilities that include pumping, compression, gas processing, metering, storage terminals, product loading and blending systems. In addition, this group designs, programs and maintains supervisory control and data acquisition (“SCADA”) systems for our transportation clients. This group also provides engineering, fabrication and automation services to clients who have operations in the U.S. oil and gas exploration and development markets. The operations are usually associated with the completion, purification, storage and transmission of the oil and gas from the well head to the terminal or pipeline destination.

Our Government Services group provides services related to the engineering, design, installation and maintenance of automated fuel handling and tank gauging systems for the U.S. military across the globe.

We have two reportable segments: Commercial and Government Services. Our Renewables, Automation, and Oil, Gas, and Petrochemical groups are aggregated into one reportable segment, Commercial.

Our corporate and other expenses that do not individually meet the criteria for segment reporting are reported separately as Corporate expenses.

Revenue, operating income, identifiable assets, capital expenditures and depreciation for each segment are set forth in the following table. The amount identified as Corporate includes those activities that are not allocated to the operating segments and include costs related to business development, executive functions, finance, accounting, safety, human resources and information technology that are not specifically identifiable with the segments. The segment information for the year ended December 26, 2020 has been recast to align with our current reportable segments.

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Segment information for the years ended December 25, 2021 and December 26, 2020 are as follows (amounts in thousands):

For the year ended December 25, 2021:	Commercial	Government	Corporate	Consolidated
Operating revenues	\$ 27,986	\$ 8,424	\$ -	\$ 36,410
Operating income (loss)	(8,599)	32	(4,909)	(13,476)
Depreciation and amortization	394	14	153	561
Tangible assets	12,516	3,068	25,746	41,330
Goodwill	-	720	-	720
Other intangible assets	19	-	-	19
Total assets	12,535	3,788	25,746	42,069
Capital expenditures	58	-	182	240

For the year ended December 26, 2020:	Commercial	Government	Corporate	Consolidated
Operating revenues	\$ 54,368	\$ 10,081	\$ -	\$ 64,449
Operating income (loss)	3,570	885	(4,838)	(383)
Depreciation and amortization	320	12	117	449
Tangible assets	11,111	2,431	16,157	29,699
Goodwill	-	720	-	720
Other intangible assets	19	-	-	19
Total assets	11,130	3,151	16,157	30,438
Capital expenditures	148	12	268	428

NOTE 15 - EMPLOYEE RETENTION CREDIT

Pursuant to the CARES Act, the Company is eligible for an employee retention credit subject to certain criteria. Since there are no generally accepted accounting principles for for-profit business entities that receive government assistance that is not in the form of a loan, an income tax credit or revenue from a contract with a customer, we determined the appropriate accounting treatment by analogy to other guidance. We accounted for the employee retention credit by analogy to International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance, of International Financial Reporting Standards (IFRS).

Under an IAS 20 analogy, a business entity would recognize the employee retention credit on a systematic basis over the periods in which the entity recognizes the payroll expenses for which the grant (i.e., tax credit) is intended to compensate when there is reasonable assurance (i.e., it is probable) that the entity will comply with any conditions attached to the grant and the grant (i.e., tax credit) will be received.

We have accounted for the \$1.7 million and \$1.4 million employee retention credits in the first and third quarters of 2021, respectively, as other income on the Statement of Operations and as a receivable on the Balance Sheet.

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NOTE 16 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

We have employment agreements with certain of our executive and other officers with severance terms ranging from six to twelve months. Such agreements provide for minimum salary levels. If employment is terminated for any reason other than 1) termination for cause, 2) voluntary resignation or 3) the employee’s death, we are obligated to provide a severance benefit equal to six months of the employee’s salary, and, at our option, an additional six months at 50% of the employee’s salary in exchange for an extension of a non-competition agreement. The terms of these agreements include evergreen provisions allowing for automatic renewal. No liability is recorded for our obligations under employment agreements as the amounts that will ultimately be paid cannot be reasonably estimated.

Litigation

From time to time, ENGlobal or one or more of its subsidiaries may be involved in various legal proceedings or may be subject to claims that arise in the ordinary course of business alleging, among other things, claims of breach of contract or negligence in connection with the performance or delivery of goods and/or services. The outcome of any such claims or proceedings cannot be predicted with certainty. As of the date of this filing, management is not aware of any such claims against the Company or any subsidiary business entity.

Insurance

We carry a broad range of insurance coverage, including general and business automobile liability, commercial property, professional errors and omissions, workers’ compensation insurance, directors’ and officers’ liability insurance and a general umbrella policy, all with standard self-insured retentions/deductibles. We also provide health insurance to our employees (including vision and dental), and are partially self-funded for these claims. Provisions for expected future payments are accrued based on our experience, and specific stop loss levels provide protection for the Company. We believe we have adequate reserves for the self-funded portion of our insurance policies. We are not aware of any material litigation or claims that are not covered by these policies or which are likely to materially exceed the Company’s insurance limits.

NOTE 17 - STOCKHOLDERS’ EQUITY

On January 29, 2021, the Company entered into an at market issuance sales agreement (the “Prior ATM Agreement”) with B. Riley Securities, Inc. pursuant to which the Company may offer and sell shares of the Company’s common stock having an aggregate offering price of up to \$25 million to or through B. Riley, as sales agent, from time to time, in an “at the market offering”. Under the Prior ATM Agreement, the Company will pay B. Riley an aggregate commission of 3% of the gross sales price per share of common stock sold under the Prior ATM Agreement. The Company is not obligated to make any sales under the Prior ATM Agreement and any determination by the Company to do so will be dependent, among other things, on market conditions and the Company’s capital raising needs. In April 2021, 400,538 shares of common stock were issued pursuant to the Prior ATM Agreement for net proceeds of approximately \$1.4 million.

On June 1, 2021, the Company entered into a securities purchase agreement (the "Purchase Agreement") pursuant to which the Company sold and issued an aggregate of 7,142,859 shares of the Company's common stock to certain institutional investors at an offering price of \$2.80 per share in a registered direct offering priced at-market under NASDAQ rules for net proceeds of approximately \$18.7 million after deducting the fees of A.G.P./Alliance Global Partners, the placement agent, and related offering expenses of approximately \$1.3 million.

NOTE 18 – LIQUIDITY

We define liquidity as our ability to pay liabilities as they become due, fund business operations and meet monetary contractual obligations. Our primary sources of liquidity are cash on hand, internally generated funds, sales of common stock pursuant to the ATM Agreement (defined below), and borrowings under the Revolving Credit Facility.

On May 21, 2020, we entered into the Revolving Credit Facility pursuant to which the Lender agreed to extend credit of up to \$6.0 million, subject to a credit limit. As of December 25, 2021, the credit limit under the Revolving Credit Facility was \$2.4 million and outstanding borrowings were \$1.0 million, which yields enough interest to cover our minimum monthly interest charge. As of December 25, 2021, we were in compliance with all of the covenants under the Revolving Credit Facility. On April 13, 2020, we obtained the PPP Loan, and on July 12, 2021, we received notification from our lender that the PPP Loan was forgiven in full by the U.S. Small Business Administration. For additional information on the Revolving Credit Facility and PPP Loan, see Note 7 – Debt.

In addition, on January 29, 2021, we filed a shelf registration statement on Form S-3 (the "Registration Statement") with the SEC, pursuant to which we may offer and sell, at our option, securities having an aggregate offering price of up to \$100 million. On January 29, 2021, we entered into an at market issuance sales agreement with B. Riley Securities, Inc., which was subsequently terminated pursuant to its terms on January 7, 2022.

On June 1, 2021, sales and issuance of shares pursuant to Purchase Agreement provided net proceeds of approximately \$18.7 million after deducting the fees of A.G.P./Alliance Global Partners, the placement agent, and related offering expenses.

We believe our cash on hand, internally generated funds, availability under the Revolving Credit Facility and sales of common stock pursuant to the ATM Agreement, along with other working capital will be sufficient to fund our current operations and expected activity for the next twelve months.

NOTE 19 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date these financial statements were issued. The Company determined there were no events, other than as described below, that required disclosure or recognition in these financial statements.

Sales Agreement

On January 7, 2022, the Company's At Market Issuance Sales Agreement with B. Riley Securities, Inc. was terminated pursuant to its terms.

On January 11, 2022, we entered into a sales agreement (the "ATM Agreement") with Lake Street Capital Markets, LLC ("Lake Street") pursuant to which we may offer and sell shares of our common stock having an aggregate offering price of up to \$30 million to or through Lake Street, as sales agent, from time to time, in an "at the market offering". The Company is not obligated to make any sales under the agreement and any determination by the Company to do so will be dependent, among other things, on market conditions and the Company's capital raising needs. The Company is not obligated to make any sales under the agreement and any determination by the Company to do so will be dependent, among other things, on market conditions and the Company's capital raising needs. Upon the filing of this Annual Report on Form 10-K, our registration statement on Form S-3 (File No. 333-252572), including the accompanying prospectus and related prospectus supplements related to the "at the market offering", is subject to the provisions of General Instruction I.B.6 of Form S-3, which provides that we may not sell securities in a public primary offering with a value exceeding one-third of our public float in any twelve-month period unless our public float is at least \$75 million. As of March 7, 2022, the Company's public float (i.e., the aggregate market value of its outstanding equity securities held by non-affiliates) was approximately \$56.1 million, based on the closing price per share of our common stock as reported on the Nasdaq Capital Market on March 7, 2022, as calculated in accordance with General Instruction I.B.6 of Form S-3. If our public float meets or exceeds \$75 million at any time, we will no longer be subject to the restrictions set forth in General Instruction I.B.6 of Form S-3, at least until the filing of our next Section 10(a)(3) update as required under the Securities Act.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures of a registrant designed to ensure that information required to be disclosed by the registrant in the reports that it files or submits under the Exchange Act is properly recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include processes to accumulate and evaluate relevant information and communicate such information to a registrant's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures.

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 25, 2021, as required by Rule 13a-15 of the Exchange Act. Based on the evaluation described above, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 25, 2021, our disclosure controls and procedures were effective insofar as they are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as that term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with generally accepted accounting principles ("GAAP"). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design safeguards into the process to reduce, although not eliminate, this risk. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

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In order to evaluate the effectiveness of our internal control over financial reporting as of December 25, 2021, as required by Section 404 of the Sarbanes-Oxley Act of 2002, our management conducted an assessment, including testing, based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO Framework"). A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected. In assessing the effectiveness of our internal control over financial reporting, management did not identify a material weakness in internal control over financial reporting as of December 25, 2021. We have concluded that our internal control over financial reporting at December 25, 2021 was effective.

(c) No Attestation Report of the Registered Public Accounting Firm

This Report does not include an attestation report of the Company's independent registered public accounting firm regarding the Company's internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the

(d) Changes in Internal Control over Financial Reporting

No changes in our internal controls over financial reporting occurred during the quarter ended December 25, 2021, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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The information required in response to this item will be set forth in our definitive proxy statement for the 2022 annual meeting of stockholders or an amendment to this Report and is incorporated herein by this reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this item will be set forth in our definitive proxy statement for the 2022 annual meeting of stockholders or an amendment to this Report and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required in response to this item will be set forth in our definitive proxy statement for the 2022 annual meeting of stockholders or an amendment to this Report and is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required in response to this item will be set forth in our definitive proxy statement for the 2022 annual meeting of stockholders or an amendment to this Report and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this item will be set forth in our definitive proxy statement for the 2022 annual meeting of stockholders or an amendment to this Report and is incorporated herein by this reference.

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The consolidated financial statements filed as part of this Form 10-K are listed and indexed in Part II, Item 8.

(a)(2) Schedules

All schedules have been omitted since the information required by the schedule is not applicable, or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

(a)(3) Exhibits**EXHIBIT INDEX**

Exhibit No.	Description	Incorporated by Reference to:			
		Form or Schedule	Exhibit No.	Filing Date with SEC	SEC File Number
3.1	Restated Articles of Incorporation of Registrant dated January 29, 2021	8-K	3.1	1/29/2021	001-14217
3.2	Second Amended and Restated Bylaws of Registrant dated April 14, 2016	8-K	3.1	4/15/2016	001-14217
4.1	Registrant's specimen common stock certificate	S-3	4.1	10/31/2005	333-29336
*4.2	Description of Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934.				
+10.1	ENGlobal Corporation Incentive Bonus Plan Dated effective July 1, 2009	8-K	10.1	8/17/2009	001-14217
+10.2	Form of Restricted Stock Unit Award Agreement between Registrant and its Independent Non-employee Directors	10-Q	10.2	8/11/2008	001-14217
+10.3	Form of Restricted Stock Award Agreement of 2009 Equity Incentive Plan between Registrant and its independent directors	10-Q	10.1	8/10/2009	001-14217
*+10.4	Form of Indemnification Agreement between Registrant and its Directors and Executive Officers				

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+10.5	Employment Agreement between ENGlobal Corporation and Mark A. Hess effective December 18, 2012	8-K	10.7	12/20/2012	001-14217
10.6	Lease Agreement between Oral Roberts University and ENGlobal Engineering, Inc. dated January 27, 2005	10-K	10.11	3/28/2008	001-14217
10.7	First Amendment to the Lease Agreement between Oral Roberts University and ENGlobal Engineering, Inc. dated April 5, 2005	10-K/A	10.26	3/29/2007	001-14217
10.8	Second Amendment to the Lease Agreement between Oral Roberts University and ENGlobal Engineering, Inc. dated June 15, 2005	10-K/A	10.27	3/29/2007	001-14217

10.9	Third Amendment to the Lease Agreement between Oral Roberts University and ENGlobal Eng Inc. dated December 28, 2005	10-K/A	10.28	3/29/2007	001-14217
10.10	Fourth Amendment to the Lease Agreement between Oral Roberts University and ENGlobal Eng. Inc. dated February 27, 2006	10-K/A	10.29	3/29/2007	001-14217
10.11	Fifth Amendment to the Lease Agreement between Oral Roberts University and ENGlobal Engineering, Inc. dated July 28, 2006	10-K/A	10.30	3/29/2007	001-14217
10.12	Sixth Amendment to the Lease agreement between Oral Roberts University and ENGlobal Engineering, Inc. dated June 20, 2007	10-K	10.17	3/28/2008	001-14217
10.13	Seventh Amendment to the Lease agreement between Oral Roberts University and ENGlobal Engineering, Inc. dated November 12, 2010	10-K	10.11	3/15/2018	001-14217
10.14	Eighth Amendment to the Lease agreement between Oral Roberts University and ENGlobal U.S. Inc. dated May 15, 2012	10-K	10.12	3/15/2018	001-14217
10.15	Ninth Amendment to the Lease agreement between Oral Roberts University and ENGlobal U.S. Inc. dated August 22, 2017	10-K	10.13	3/15/2018	001-14217
10.16	Tenth Amendment to the Lease Agreement between Oral Roberts University and ENGlobal U.S., Inc. dated August 23, 2018	10-Q	10.2	11/8/2018	001-14217

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10.17	Lease Agreement between Koll Bren Fund V, LP and ENGlobal Corporate Services, Inc. dated March 4, 2005	10-K	10.14	3/15/2018	001-14217
10.18	First Amendment to the Lease Agreement between Koll Bren Fund V, LP and ENGlobal Corporate Services, Inc. dated November 3, 2005	10-K	10.15	3/15/2018	001-14217
10.19	Second Amendment to the Lease Agreement between Koll Bren Fund V, LP and ENGlobal Corporate Services, Inc. dated July 31, 2006	10-K	10.16	3/15/2018	001-14217
10.20	Third Amendment to the Lease Agreement between Koll Bren Fund V, LP and ENGlobal Corporate Services, Inc. dated April 18, 2007	10-K	10.17	3/15/2018	001-14217
10.21	Fourth Amendment to the Lease Agreement between YPI North Belt Portfolio, LLC and ENGlobal Corporate Services, Inc. dated March 1, 2010	10-Q	10.2	3/5/2010	001-14217
10.22	Fifth Amendment to the Lease Agreement between YPI North Belt Portfolio, LLC and ENGlobal U.S. Inc. dated April 18, 2016	10-K	10.19	3/15/2018	001-14217
10.23	Sixth Amendment to the Lease Agreement between YPI North Belt Portfolio, LLC and ENGlobal U.S. Inc. dated June 5, 2018	10-Q	10.1	11/8/2018	001-14217
10.24	Lease Agreement between El Dorado Office 3, L.P. and ENGlobal U.S. Inc. dated September 9, 2013	10-K	10.20	3/15/2018	001-14217
10.25	Lease Agreement between Carson Portwall Management LLP and ENGlobal Systems, Inc. dated November 12, 2008	10-K	10.21	3/15/2018	001-14217
10.26	First Amendment to the Lease Agreement between Carson Portwall Management LLP, and ENGlobal Systems, Inc. dated December 10, 2008	10-K	10.22	3/15/2018	001-14217
10.27	Second Amendment to the Lease Agreement between Carson Portwall Management LLP, and ENGlobal US Inc. dated September 7, 2015	10-K	10.23	3/15/2018	001-14217

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10.28	Lease Agreement between Bryan Bateman Properties LLC, and ENGlobal US, Inc. dated August 23, 2017	10-K	10.24	3/15/2018	001-14217
+10.29	ENGlobal U.S. Inc. Redacted Growth Initiative Plan	10-Q	10.1	11/12/2019	001-14217
10.30	Office Lease between 700 17th Street, LLC and ENGlobal U.S. Inc., dated January 23, 2019	10-Q	10.1	5/13/2019	001-14217
10.31	U.S. Small Business Administration Note dated as of April 13, 2020, by ENGlobal Corporation in favor of Origin Bank, as lender	8-K	10.1	4/16/2020	001-14217
10.32	Loan and Security Agreement dated as of May 18, 2020, by and among ENGlobal Corporation, ENGlobal U.S., Inc., ENGlobal Government Services, Inc., and Pacific Western Bank, a California bank, as lender	8-K	10.1	5/26/2020	001-14217
10.33	At Market Issuance Sales Agreement, dated January 29, 2021, between ENGlobal Corporation and B. Riley Securities, Inc.	S-3	1.2	1/29/2021	333-252572
+10.34	ENGlobal Corporation 2021 Long Term Incentive Plan	DEF 14A	Appendix A	7/15/2021	001-14217
10.35	Sales Agreement, dated January 11, 2022, by and between ENGlobal Corporation and Lake Street Capital Markets, LLC.	8-K	1.1	1/11/2022	001-14217
10.36	Securities Purchase Agreement, dated June 1, 2021, by and among ENGlobal Corporation and the purchasers identified on the signature pages thereto	8-K	10.1	6/3/21	001-14217
*+10.37	Executive Employment Agreement between ENGlobal U.S. Inc. and Roger Westerlind effective December 16, 2020				
*10.38	Third Amendment to the Lease Agreement between Carson Portwall Management, LLC and ENGlobal US Inc. dated April 2019				
*10.39	Fourth Amendment to the Lease Agreement between Carson Portwall Management, LLC and ENGlobal US Inc. dated December 20, 2021				

[*10.40 Eleventh Amendment to the Lease Agreement between Oral Roberts University and ENGlobal U.S., Inc. dated September 25, 2019](#)

[*10.41 Twelfth Amendment to the Lease Agreement between Oral Roberts University and ENGlobal U.S., Inc. dated November 11, 2020](#)

[*10.42 Sublease Agreement between FMC Technologies, Inc. and ENGlobal U.S., Inc. dated May 20, 2021](#)

[*+10.43 Form of Restricted Stock Unit Award Agreement of the 2021 Long Term Incentive Plan between Registrant and its Independent Non-employee Directors](#)

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14.1	Code of Business Conduct and Ethics of Registrant dated June 15, 2017	14.1	3/27/2020	001-14217
14.2	Code of Ethics for Chief Executive Officer and Senior Financial Officers of Registrant dated June 15, 2017	14.2	3/27/2020	001-14217
*21.1	Subsidiaries of the Registrant			
*23.1	Consent of Moss Adams LLP			
*31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14 or 15d-14			
*31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14 or 15d-14			
**32.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350			
**32.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(b) or 15d-14(b) and U.S.C. Section 1350			
*101.ins	Inline XBRL instance document - the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document Interactive Data Files.			
*101.sch	Inline XBRL taxonomy extension schema document			
*101.cal	Inline XBRL taxonomy extension calculation linkbase document			
*101.def	Inline XBRL taxonomy extension definition linkbase document			
*101.lab	Inline XBRL taxonomy extension label linkbase document			
*101.pre	Inline XBRL taxonomy extension presentation linkbase document			
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith

** Furnished herewith

+ Management contract or compensatory plan or arrangement

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

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

ENGlobal Corporation

Dated: March 10, 2022

By: /s/ Mark A. Hess
Mark A. Hess
Chief Executive Officer

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

By: /s/ Darren W. Spriggs March 10, 2022
Darren W. Spriggs
Chief Financial Officer, Treasurer
(Principal Financial and Accounting Officer)

By: /s/ Mark A. Hess March 10, 2022
Mark A. Hess
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ William A. Coskey March 10, 2022
William A. Coskey, P.E.
Chairman of the Board, Director

By: /s/ Christopher Sorrells March 10, 2022
Christopher Sorrells, Director

By: /s/ Lloyd Kirchner March 10, 2022
Lloyd Kirchner, Director

By: /s/ Kevin M. Palma March 10, 2022
Kevin M. Palma, Director

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Description of Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934

The following description sets forth certain material terms and provisions of the common stock of ENGlobal Corporation, which is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This description also summarizes relevant provisions of the Nevada Revised Statutes ("NRS"). The following description is a summary and does not purport to be complete. It is subject to, and qualified in its entirety by reference to, the relevant provisions of the NRS, and to our Restated Articles of Incorporation dated January 29, 2021 (collectively, the "Articles of Incorporation") and our Second Amended and Restated Bylaws dated April 14, 2016 (the "Bylaws"), which are filed as Exhibit 3.1 and Exhibit 3.2, respectively, to the Annual Report on Form 10-K of which this Exhibit 4.2 is a part, and are incorporated by reference herein. We encourage you to read the Articles of Incorporation and the Bylaws, and the relevant provisions of the NRS for additional information. Unless the context requires otherwise, all references to "we," "us," "our" and the "Company" in this Exhibit 4.2 refer solely to ENGlobal Corporation and not to its subsidiaries.

Authorized and Outstanding Capital Stock

The Company is authorized to issue 75,000,000 shares of common stock, par value \$0.001 per share ("Common Stock"), and 2,000,000 shares of undesignated preferred stock, par value \$0.001 per share ("Preferred Stock"). As of March 10, 2022, there were 35,230,675 shares of Common Stock and no shares of Preferred Stock issued and outstanding.

Common Stock

Voting. Holders of shares of the Common Stock are entitled to one vote for each share held of record on matters properly submitted to a vote of our stockholders. Stockholders are not entitled to vote cumulatively for the election of directors.

Dividends. Subject to the dividend rights of the holders of any outstanding series of Preferred Stock, holders of shares of Common Stock will be entitled to receive ratably such dividends, if any, when, as, and if declared by our Board of Directors out of the Company's assets or funds legally available for such dividends or distributions.

Liquidation and Distribution. In the event of any liquidation, dissolution, or winding up of the Company's affairs, holders of the Common Stock would be entitled to share ratably in the Company's assets that are legally available for distribution to its stockholders. If the Company has any Preferred Stock outstanding at such time, holders of the Preferred Stock may be entitled to distribution preferences, liquidation preferences, or both. In such case, the Company must pay the applicable distributions to the holders of its Preferred Stock before it may pay distributions to the holders of Common Stock.

Conversion, Redemption, and Preemptive Rights. Holders of the Common Stock have no preemptive, subscription, redemption or conversion rights.

Sinking Fund Provisions. There are no sinking fund provisions applicable to the Common Stock.

Anti-Takeover Effects of Nevada Law and the Articles of Incorporation and Bylaws

General. Certain provisions of the Articles of Incorporation and Bylaws, and certain provisions of the NRS could make our acquisition by a third party, a change in our incumbent management, or a similar change of control more difficult. These provisions, which are summarized below, are likely to reduce our vulnerability to an unsolicited proposal for the restructuring or sale of all or substantially all of our assets or an unsolicited takeover attempt. The summary of the provisions set forth below does not purport to be complete and is qualified in its entirety by reference to the Articles of Incorporation and the Bylaws and the relevant provisions of the NRS.

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Authorized but Unissued Shares. Our authorized but unissued shares of common stock and preferred stock are available for future issuance, subject to any limitations imposed by the listing standards of The Nasdaq Capital Market. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

No Action by Written Consent. Our Bylaws provide that no action required or permitted to be taken at a meeting of the stockholders may be taken by written consent.

Advance Notice Requirements. Stockholders wishing to nominate persons for election to our Board of Directors at a meeting or to propose any business to be considered by our stockholders at a meeting must comply with certain advance notice and other requirements set forth in our Bylaws.

Special Meetings. Our Bylaws provide that special meetings of stockholders may only be called by the President or Secretary, by a majority of the Board of Directors, or by the President at the written request of at least fifty percent (50%) of the number of shares of the Company then outstanding and entitled to vote.

Board Vacancies. Our Bylaws provide that any vacancy on our Board of Directors, howsoever resulting, may be filled by a majority vote of the remaining directors.

Removal of Directors. Our Bylaws provide that any directors may be removed either with or without cause at any time by the vote of stockholders representing two-thirds of the voting power of the issued and outstanding capital stock entitled to vote.

Nevada Anti-Takeover Statutes. The NRS contains provisions restricting the ability of a Nevada corporation to engage in business combinations with an interested stockholder. Under the NRS, except under certain circumstances, business combinations with interested stockholders are not permitted for a period of two years following the date such stockholder becomes an interested stockholder. The NRS defines an interested stockholder, generally, as a person who is the beneficial owner, directly or indirectly, of 10% of the outstanding shares of a Nevada corporation. In addition, the NRS generally disallows the exercise of voting rights with respect to "control shares" of an "issuing corporation" held by an "acquiring person," unless such voting rights are conferred by a majority vote of the disinterested stockholders. "Control shares" are those outstanding voting shares of an issuing corporation which an acquiring person and those persons acting in association with an acquiring person (i) acquire or offer to acquire in an acquisition of a controlling interest and (ii) acquire within ninety days immediately preceding the date when the acquiring person became an acquiring person. An "issuing corporation" is a corporation organized in Nevada which has two hundred or more stockholders, at least one hundred of whom are stockholders of record and residents of Nevada, and which does business in Nevada directly or through an affiliated corporation. The NRS also permits directors to resist a change or potential change in control of the corporation if the directors determine that the change or potential change is opposed to or not in the best interest of the corporation.

Stock Exchange Listing

The Common Stock is traded on the NASDAQ Capital Market under the symbol "ENG."

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is Computershare Investor Services, LLC located at P.O. Box 30170, College Station, TX 77842-3170 and its telephone number is 1-800-662-7232.

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SUBSIDIARIES OF REGISTRANT

ENGlobal U.S., Inc.

Incorporated in the State of Texas

ENGlobal Government Services, Inc.

Incorporated in the State of Texas

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Registration Statement of Novusterra, Inc. on Amendment No. 12 to Form S-1 to be filed on or about March 11, 2022, of our report dated February 21, 2022, on our audits of the financial statements of Novusterra, Inc. as of December 31, 2021 and 2020, and for the year ended December 31, 2021 and the period September 21, 2020 (date of formation) to December 31, 2020. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ Paris, Kreit & Chiu CPA LLP
(formerly Benjamin & Ko)

New York, NY
March 11, 2022

**Certification by the Chief Executive Officer Pursuant
to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Mark A. Hess, certify that:

1. I have reviewed this Report on Form 10-K of ENGlobal Corporation;
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 light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
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(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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 auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - 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; and
 - 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: March 10, 2022

/s/ Mark A. Hess

Mark A. Hess
Chief Executive Officer

**Certification by the Chief Financial Officer Pursuant
to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Darren W. Spriggs, certify that:

1. I have reviewed this Report on Form 10-K of ENGlobal Corporation;
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 light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;
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(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
 - d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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 auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - 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; and
 - 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: March 10, 2022

/s/ Darren W. Spriggs
Darren W. Spriggs
Chief Financial Officer

Certification by the Chief Executive Officer Pursuant to 18 U. S. C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U. S. C. Section 1350, I, Mark A. Hess, hereby certify that, to my knowledge, the Annual Report on Form 10-K of ENGlobal Corporation for the fiscal year ended December 25, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ENGlobal Corporation.

Date: March 10, 2022

/s/ Mark A. Hess

Mark A. Hess

Chief Executive Officer

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Certification by the Chief Financial Officer Pursuant to 18 U. S. C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U. S. C. Section 1350, I, Darren W. Spriggs, hereby certify that, to my knowledge, the Annual Report on Form 10-K of ENGGlobal Corporation for the fiscal year ended December 25, 2021 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ENGGlobal Corporation.

Date: March 10, 2022

/s/ Darren W. Spriggs

Darren W. Spriggs
Chief Financial Officer

This certification accompanies this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

**ENGLOBAL CORPORATION
INDEMNIFICATION AGREEMENT**

This Indemnification Agreement (this “**Agreement**”) is made as of May 19, 2021, by and between ENGlobal Corporation, a Nevada corporation (the “**Company**”), and _____ (“**Indemnitee**”).

RECITALS

WHEREAS, the Company and Indemnitee recognize the increasing difficulty in obtaining directors’ and officers’ liability insurance, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting officers and directors to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited; and

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve as officers and directors of the Company and to indemnify its officers and directors so as to provide them with the maximum protection permitted by law.

NOW, THEREFORE, in consideration for Indemnitee’s services as an officer or director of the Company, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) **Third Party Proceedings.** The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit, proceeding or any alternative dispute resolution mechanism, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including reasonable attorneys’ fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action, suit or proceeding if Indemnitee is not liable pursuant to Nevada Revised Statutes (“**NRS**”) § 78.138, or if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee’s conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that Indemnitee is liable pursuant to NRS § 78.138 or did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or that, with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe that Indemnitee’s conduct was unlawful.

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(b) **Proceedings By or in the Right of the Company.** The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including amounts paid in settlement and reasonable attorneys’ fees) actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or suit if Indemnitee is not liable pursuant to NRS § 78.138 or Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made for any claim, issue or matter as to which Indemnitee has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the Company or for amounts paid in settlement to the Company, unless and only to the extent that the court in which such action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

(c) **Mandatory Payment of Expenses.** To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1(a) and 1(b), or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including reasonable attorneys’ fees) actually and reasonably incurred by Indemnitee in connection therewith.

2. **Agreement to Serve.** In consideration of the protection afforded by this Agreement, if Indemnitee is a director of the Company he agrees to serve at least for the 90 days after the effective date of this Agreement as a director and not to resign voluntarily during such period without the written consent of a majority of the Board of Directors. If Indemnitee is an officer of the Company not serving under an employment contract, he agrees to serve in such capacity at least for the 90 days after the effective date of this Agreement and not to resign voluntarily during such period without the written consent of a majority of the Board of Directors. Following the applicable period set forth above, Indemnitee agrees to continue to serve in such capacity at the will of the Company (or under separate agreement, if such agreement exists) so long as he is duly appointed or elected and qualified in accordance with the applicable provisions of the Bylaws of the Company or any subsidiary of the Company or until such time as he tenders his resignation in writing. Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

3. Expenses; Indemnification Procedure.

(a) **Advancement of Expenses.** The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action, suit or proceeding referenced in Section 1(a) or 1(b) (but not amounts actually paid in settlement of any such action, suit or proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it is ultimately determined by a court of competent jurisdiction that Indemnitee is not entitled to be indemnified by the Company as authorized hereby.

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(b) **Notice/Cooperation by Indemnitee.** Indemnitee shall, as a condition precedent to his right to be indemnified under this Agreement, give the Company written notice as soon as practicable of any claim for which Indemnitee will or could seek indemnification under this Agreement. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee’s power.

(c) **Procedure.** Any indemnification and advances provided for in Section 1 and this Section 3 shall be made no later than 30 days after receipt of the written request of Indemnitee, provided that a determination is made within such 30-day period that, as to Indemnitee’s specific case, indemnification of Indemnitee is proper in the circumstances. Such determination shall be made: (a) by the Company’s stockholders; (b) by the Company’s Board of Directors by majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding; (c) if a majority vote of a quorum consisting of directors who were not parties to the action, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) if a quorum consisting of directors who were not parties to the action, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion. If a claim under this Agreement, under any statute, or under any provision of the Company’s Articles of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company within 30 days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Sections 8 and 9(g) of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including reasonable attorneys’ fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action, suit or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed. However, Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 3(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties’ intention that if the Company contests Indemnitee’s right to indemnification, the question of Indemnitee’s right to indemnification shall be for a court of competent jurisdiction to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) **Notice to Insurers.** If, at the time of the receipt of a notice of a claim pursuant to Section 3(b), the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

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(e) Selection of Counsel. In the event the Company shall be obligated under Section 3(a) to advance the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee (which approval shall not be unreasonably withheld), upon the delivery to Indemnitee of written notice of its election to do so. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (i) Indemnitee shall have the right to employ his counsel in any such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

4. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by the NRS, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Articles of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the right of a Nevada corporation to indemnify a member of its board of directors or an officer, such changes shall be, ipso facto, within the purview of Indemnitee's rights and Company's obligations, under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Nevada corporation to indemnify a member of its board of directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Articles of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the NRS, or otherwise, for either an action in Indemnitee's official capacity or action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action, suit or other covered proceeding.

5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually and reasonably incurred by him in the investigation, defense, appeal or settlement of any civil or criminal action, suit or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

6. Mutual Acknowledgement. Both the Company and Indemnitee acknowledge that in certain instances, federal law or applicable public policy may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

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7. Officer and Director Liability Insurance. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain a policy greater in value than the Company's current Director and Officer Liability Insurance Policy with Great American Insurance Company, Policy # DOL5593151 (the "Current D&O Policy"), or to maintain the Current D&O Policy providing the officers and directors of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining or maintaining such insurance coverage against the protection afforded by such coverage. In all policies of director and officer liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer. Notwithstanding the foregoing, the Company shall have no obligation to maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a subsidiary or parent of the Company. The Company agrees to provide Indemnitee with a copy of the Current D&O Policy, and to notify Indemnitee, or to cause the insurance company to notify Indemnitee, of cancellation of or changes to the Current D&O Policy.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under § 78.7502 of the NRS, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors has approved the initiation or bringing of such suit; or

(b) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous; or

(c) No Duplicative Payments. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) to the extent that Indemnitee has otherwise actually received payment (under any insurance policy, provision of the Company's certificate of incorporation, bylaws, or otherwise) of the amounts otherwise payable hereunder; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

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9. Miscellaneous.

(a) Choice of Law. This Agreement and all disputes related hereto, whether in contract or tort, in law or in equity, or otherwise, shall be governed by and its provisions construed in accordance with the laws of the State of Nevada, as applied to contracts between Nevada residents entered into and to be performed entirely within Nevada without regard to the conflict of law principles thereof.

(b) Consent to Jurisdiction. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Nevada for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement and agree that any action instituted under this Agreement shall be brought only in the state courts of the State of Nevada.

(c) Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing and signed by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

(d) Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

(e) Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors and administrators.

(f) Severability. If and to the extent that any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, then to such extent the invalid, illegal or unenforceable provision shall be severed from the remainder of this Agreement, and the remainder of this Agreement shall be enforced. In addition, the invalid, illegal or unenforceable provision shall be deemed to be automatically modified, and, as so modified, to be included in this Agreement, such modification being made to the minimum extent necessary to render the provision valid, legal and enforceable. Notwithstanding the foregoing, however, if the severed or modified provision concerns all or a portion of the essential consideration to be delivered under this Agreement by one party to the other, the remaining provisions of this Agreement shall also be modified to the extent necessary to equitably adjust the parties' respective rights and obligations hereunder.

(g) Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

(h) Notice. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be delivered personally by hand or by courier, mailed by United States first-class mail, postage prepaid, sent by facsimile or sent by electronic mail directed to the party to be notified at the address, facsimile number or electronic mail address indicated for such person on the signature page hereof, or at such other address, facsimile number or electronic mail address as such party may designate by 10 days' advance written notice to the other party hereto. All such notices and other communications shall be deemed given upon personal delivery, on the date of mailing, upon confirmation of facsimile transfer or when directed to the electronic mail address set forth on the signature page hereof.

(i) Construction. Whenever used in this Agreement, the singular number will include the plural, and the plural number will include the singular, and pronouns in the masculine, feminine, or neuter gender will include each other gender. Headings are used for convenience only, and are not to be given substantive effect. All references to section numbers and exhibits in this Agreement are references to sections and exhibits in this Agreement, unless otherwise specifically indicated. All exhibits and schedules are incorporated in this Agreement as if set forth herein in full. Recitals are part of this Agreement and shall be considered in its interpretation.

(j) Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee, Indemnitee's estate, spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

(k) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

(l) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

EXECUTED as of the date first above written.

ENGLOBAL CORPORATION

By: _____
Mark A. Hess
Chief Executive Officer

Address:
654 N. Sam Houston Parkway E., Ste. 400
Houston, Texas 77060

AGREED TO AND ACCEPTED:

“Indemnitee”

EXECUTIVE EMPLOYMENT AGREEMENT

THIS KEY EXECUTIVE EMPLOYMENT AGREEMENT (the "*Agreement*"), effective December 16, 2020, is between ENGlobal U.S., Inc., a Texas corporation (the "*Company*"), and Roger Westerlind, a resident of Sugarland, Texas (the "*Executive*"). The Company and the Executive agree as follows:

1. Employment, Duties and Acceptance.

1.1 Employment by the Company. The Company agrees to employ the Executive as President of the Company for the duration of the Employment Term (as defined in Section 2), to render such services and to perform such duties as are normally associated with and inherent in the executive capacity in which the Executive will be serving, as well as such other duties, which are not inconsistent with the Executive's position with the Company, as shall from time to time reasonably be assigned to him by the Chief Executive Officer or the Board of Directors of the Company (the "*Board of Directors*").

1.2 Extent of Service. The Executive agrees to render the services required of him under Section 1.1. During the Employment Term, the Executive shall devote his full business time, attention and energy to the business of the Company and the performance of his duties under this Agreement. The foregoing shall not, however, prohibit the Executive from making and managing personal investments, or from engaging in civic or charitable activities, that do not materially impair the performance of his duties under this Agreement. If appointed or elected, as applicable, the Executive also shall serve during all or any part of the Employment Term as any other officer and/or as a director of the Company or any of its subsidiaries or affiliates, without any additional compensation other than that specified in this Agreement.

1.3 Place of Performance. The Executive shall be based in the Houston Metropolitan Area, and nothing in this Agreement shall require the Executive to relocate his base of employment or principal place of residence from the Houston Metropolitan Area.

2. Employment Term. The term of the Executive's employment under this Agreement (the "*Employment Term*") shall commence on December 16, 2020 (the "*Commencement Date*"), and shall expire on December 31, 2022, (the "*Expiration Date*"), unless extended by the Company or earlier terminated as herein provided. At the end of the Employment Term, this Agreement shall be automatically renewed from year to year thereafter, unless (a) Employee's employment has been terminated prior to such day, or (b) not later than 90 days prior to such day, either party to this Agreement shall have given written notice to the other party that he or it does not wish to extend further the Expiration Date (and the Employment Term).

3. Compensation and Other Benefits.

3.1 Salary. As compensation for services to be rendered under this Agreement, the Company shall pay the Executive a salary (the "*Salary*"), subject to such increases as the Board of Directors may, in its discretion, approve, at a bi-weekly rate of \$9,230.77. The Executive shall also be eligible, during the Employment Term, to receive such other compensation, whether in the form of cash bonuses, incentive compensation, restricted

stock awards or otherwise (collectively, the "*Additional Compensation*"), as the Board of Directors of the Company's parent corporation, ENGlobal Corporation, (or any committee of the Board) may, in its discretion, approve. The Salary and the Additional Compensation shall be payable in accordance with the applicable payroll and/or other compensation policies and plans of the Company as in effect from time to time during the Employment Term, less such deductions as shall be required to be withheld by applicable law and regulations.

3.2 Participation in Employee Benefit Plans. The Executive shall be permitted, during the Employment Term, if and to the extent he is and continues to meet all applicable eligibility requirements, to participate in any group life, hospitalization or disability insurance plan, health program, pension plan, similar benefit plan or other "fringe benefits" of the Company, which may be available to all other similarly situated members of the Company's executive management on generally the same terms.

3.3 Reimbursement of Business Expenses. The Executive may incur reasonable, ordinary and necessary business expenses in the course of his performance of his duties under this Agreement, including expenses for travel, food and entertainment. The Company shall reimburse the Executive for all such business expenses if (i) the expenses are incurred by the Executive in accordance with the Company's business expense reimbursement policy, if any, as may be established and modified by the Company from time to time, and (ii) the Executive provides to the Company a record of and appropriate receipts for (A) the amount of the expense, (B) the date, place and nature of the expense, (C) the business reason for the expense and (D) the names, occupations and other data concerning individuals entertained sufficient to establish their business relationship to the Company. The Company shall have no obligation to reimburse the Executive for expenses that are not incurred and substantiated as required by this Section 3.3.

4. Restrictive Covenants

4.1 Covenants Against Competition. On the Commencement Date and during the Employment Term, the Company will provide confidential information to the Executive. The Executive acknowledges that his employer is (i) engaged in the business of engineering, detailed design, equipment procurement, fabrication and project management for automation and energy related facilities (the "*Business*"); (ii) the Executive is one of a limited number of persons who has performed a significant role in developing the Business; (iii) the Business is conducted throughout the United States and internationally; (iv) the Company will give him possession of, and access to, trade secrets of, and confidential, proprietary information concerning the Business; (v) the agreements and covenants contained in this Section 4 (collectively, the "*Restrictive Covenants*") are essential to protect the Business and the goodwill of the Company; and (vi) the Restrictive Covenants will not impair his ability to engage in a wide array of other professional activities. Accordingly, the Executive agrees as follows:

4.1.1 Competitive Activities. During the Restricted Period (as hereinafter defined), the Executive shall not (A) engage, anywhere within the Territory (as hereinafter defined), as an officer, director or in any other managerial capacity or as an owner, co-owner or other investor or creditor in or of, whether as an employee, independent contractor,

consultant or advisor, in any business that is directly competitive with the Business within the territory surrounding each office or facility (each a "Facility") operated by the Company within the one-year period immediately preceding the date of the Executive's termination of employment (for purposes of this Section 4.1, the territory surrounding a Facility shall be: (1) the city, town or village in which the Facility is located, (2) the county or parish in which the Facility is located, (3) the counties or parishes contiguous to the county or parish in which the Facility is located and (4) the area located within 100 miles of the Facility, all of such locations being herein collectively called the "Territory"), or (B) call on any person or entity that at the time is, or at any time within one-year prior to the date of termination of the Executive's employment was, a customer of this Business of the Company for the purpose of soliciting or selling any product or service which is then sold or offered within the Territory by this Business of the Company if the Executive has knowledge of that customer relationship; *provided, however*, that nothing in this Section 4.1.1 shall prohibit the Executive from owning, directly or indirectly, solely as an investment, securities of any entity traded on any national securities exchange or over-the-counter market if the Executive is not a controlling person of, or a member of a group which controls, such entity and does not, directly or indirectly, own one percent or more of any class of securities of such entity. As used in this Section 4, the term "Restricted Period" means the period beginning on the Commencement Date and ending on the expiration of the Total Severance Benefit Period (as defined in Section 5.5). In the event of a voluntary termination or a termination for cause (in which event a severance benefit would not be paid), the Restricted Period shall be begin on the termination of employment and end on the Expiration Date (as extended) or one year from the date of termination, whichever occurs later.

4.1.2 Confidential Information; Personal Relationships. During the Restricted Period and thereafter, the Executive shall keep secret and retain in strict confidence, and shall not use for the benefit of himself or others, all confidential matters of the Company, including, without limitation, "know-how," trade secrets, customer lists, details of client or consultant contracts, pricing policies, bidding practices and procedures, operational methods, marketing plans or strategies, project development techniques or plans, business acquisition plans, new personnel acquisition plans, methods of production, manufacture and installation, technical processes, designs and design projects, inventions and research projects of the Company learned by the Executive heretofore or during the Restricted Period. THE OBLIGATION TO KEEP THE COMPANY'S INFORMATION CONFIDENTIAL SHALL CONTINUE IN FULL FORCE AND EFFECT AFTER THE EMPLOYMENT TERM.

4.1.3 Property of the Company. All memoranda, notes, lists, records and other documents or papers (and all copies thereof, including such items stored in computer memories, on microfiche or by any other means), made or compiled by or on behalf of the Executive, or made available to the Executive relating to the Company, other than purely personal matters, are and shall be the Company's property and shall be destroyed or delivered to the Company promptly upon the termination of the Executive's employment (whether such termination is for Cause, as hereinafter defined, or otherwise) or at any other time on request of the Company. Upon termination of the Executive's employment, the Company may also request that Executive deliver to the Company a written certification of the Executive's compliance with its obligations under this Section 4.1.3.

4.1.4 Employees of the Company. During the Employment Term and the Restricted Period, the Executive shall not, directly or indirectly, recruit or solicit any employee of the Company away from the Company or encourage any such employee to terminate his employment with the Company.

4.1.5 Consultants of the Company. During the Employment Term and the Restricted Period, the Executive shall not, directly or indirectly, recruit or solicit any consultant then under contract with the Company or encourage such consultant to terminate such relationship.

4.1.6 Acquisition Candidates. During the Employment Term and the Restricted Period, the Executive shall not call on any Acquisition Candidate (as defined below in this Section 4.1.6), with the knowledge of such Acquisition Candidate's status as such, for the purpose of acquiring, or arranging the acquisition of, that Acquisition Candidate by any person or entity other than the Company. "Acquisition Candidate" means any person or entity engaged in any of the businesses of providing engineering services, including planning, design procurement, construction management, in-plant maintenance, field inspection and control system services, and (i) which was called on by the Company in connection with the possible acquisition by the Company of all or any part of that person's or entity's business, or (ii) with respect to which the Company has made an acquisition analysis.

4.1.7 Agreement Ancillary to Other Agreements. This covenant not to compete is ancillary to and part of other agreements between Company and Executive, including, but not limited to: (i) Company's agreement to disclose, and to continue to disclose its confidential information to Executive; and (ii) Company's agreement to employ Executive for the Employment Term.

4.2 Rights and Remedies upon Breach. If the Executive breaches or threatens to commit a breach of the Restrictive Covenants, the Company shall have the following rights and remedies, each of which shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity:

4.2.1 Injunctive Relief. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company.

4.2.2 Accounting. The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by the Executive as the result of any transaction constituting a breach of the Restrictive Covenants.

4.3 Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, are invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be

affected, and the Restrictive Covenants shall be given full effect, without regard to the invalid portions.

4.4 Reformation. If any court determines that any Restrictive Covenant, or any part thereof, is unenforceable because of the duration or geographic scope of such provision, such court shall have the power to reduce the duration or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable.

4.5 Enforceability. The Company and the Executive intend to and hereby confer exclusive jurisdiction to enforce the Restrictive Covenants upon the federal and state courts of Harris County, Texas, without reference to principles governing choice or conflicts of law (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.

5. Termination.

5.1 Termination upon Death. If the Executive dies during the Employment Term, this Agreement shall terminate, except that the Executive's legal representatives, successors, heirs or assigns shall be entitled to receive the Salary, the Additional Compensation and other accrued benefits, if any, earned up to the date of the Executive's death; *provided, however*, if any Additional Compensation or other benefits are governed by the provisions of any written employee benefit plan or policy of the Company, any written agreement contemplated thereunder or any other separate written agreement entered into between the Executive and the Company, the terms and conditions of such plan, policy or agreement shall control in the event of any discrepancy or conflict with the provisions of this Agreement regarding such Additional Compensation or other benefit upon the death, termination or disability of the Executive.

5.2 Termination for Cause. At any time during the Employment Term, the Company shall have the right to terminate the Executive's employment under this Agreement and discharge the Executive for Cause, exercisable upon the service of written notice upon the Executive. If such right is exercised, the Company's obligation to the Executive shall be limited to the payment of any unpaid Salary, Additional Compensation and other benefits, if any, accrued up to the effective date specified in the Company's notice of termination (which date shall not be retroactive). "*Cause*" shall mean the determination that (i) after 30 days written notice and a right to cure, Executive has failed to cure a material breach of the terms of this Agreement, (ii) after receipt of a written warning, the Executive has failed or refused to follow the reasonable policies, performance objectives, or directives established by the Board of Directors or executive officers of the Company senior to the Executive, (iii) the Executive has misappropriated money or other assets or properties of the Company or any subsidiary or affiliate of the Company, (iv) the Executive has been convicted of any felony or other serious crime, (v) the Executive's employment performance has been substantially impaired by chronic absenteeism, alcoholism or drug addiction, or (vi) the Executive has exhibited moral turpitude relevant to his office or employment with the Company or any subsidiary or affiliate of the Company.

5.3 Termination Without Cause. At any time during the Employment Term, the Company shall have the right to terminate the Executive's employment under this Agreement

and discharge the Executive without Cause, exercisable upon the service of written notice to the Executive. If such right is exercised, the Company's obligation to the Executive shall be as set forth in Section 5.5.

5.4 Termination upon Disability. If during the Employment Term the Executive becomes physically or mentally disabled, whether totally or partially, as evidenced by the written statement of a competent physician licensed to practice medicine in the United States, so that the Executive is unable to substantially perform his services hereunder with reasonable accommodation either for (i) a period of three consecutive months, or (ii) shorter periods aggregating three months during any period of twelve consecutive months, then the Company may at any time after the last day of the three consecutive months of disability, or the day on which the shorter periods of disability equal an aggregate of three months within a period of twelve consecutive months, terminate the Executive's employment hereunder, exercisable upon the service of written notice to the Executive. If such right is exercised, the Company's obligation to the Executive shall be as set forth in Section 5.5.

5.5 Severance Benefit.

5.5.1 Initial Severance Benefit Period. If at any time during or after the Employment Term, the Executive's employment by the Company is terminated for any reason other than (i) a termination for Cause, (ii) his voluntary resignation (including in breach of this Agreement), or (iii) his death, then for a period of six months following the date of termination of the Executive's employment (the "*Initial Severance Benefit Period*"), the Company shall continue to (a) pay to the Executive, in payroll period installments in accordance with the Company's normal payroll policies, the monthly amount of Executive's Salary in effect at the date of termination of his employment, subject to the limitation of Section 5.5.4 and (b) under the same cost sharing arrangements as were in place prior to termination, continue to include the Executive and his eligible dependents under the coverage of all group health, medical and dental insurance policies maintained by the Company during the Initial Severance Benefit Period for the Company's management employees.

5.5.2 Second Severance Benefit Period. The Company, at its option, which shall be exercisable by a written notice sent to the Executive at least 60 days prior to the expiration of the Initial Severance Benefit Period, may elect to extend the Initial Severance Benefit Period for a period of an additional six months following the expiration of the Initial Severance Benefit Period (the "*Second Severance Benefit Period*"). If the Company so elects to extend the Initial Severance Benefit Period, the Company, during the Second Severance Benefit Period shall (i) pay to the Executive, in payroll period installments in accordance with the Company's normal payroll policies, an amount equal to 50% of the monthly amount of Executive's Salary in effect at the date of termination of his employment, subject to the limitation of Section 5.5.4 and (ii) under the same cost sharing arrangements as were in place prior to termination, continue to include the Executive and his eligible dependants under the coverage of all group health, medical and dental insurance policies maintained by the Company during the Second Severance Benefit Period, for the Company's management employees.

5.5.3 Total Severance Benefit Period. For purposes of Section 4.1.1 and elsewhere in this Agreement, the term "*Total Severance Benefit Period*" means the total period

(including the Initial Severance Benefit Period and, if applicable, the Second Severance Benefit Period) during which the Company is obligated to pay and provide, and performs its obligations to pay and provide, severance benefits to the Executive under this Section 5.5.

5.5.4 Limitation. Notwithstanding the foregoing, the total severance benefits described in this Section 5.5 (other than cost sharing arrangements as were in place prior to termination which continue to include the Executive and his eligible dependents under the coverage of all group health, medical and dental insurance policies maintained by the Company during the Total Severance Benefit Period) shall in no event exceed two times the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the "Code") for the year in which the Executive's employment with the Company is terminated.

6. Insurance. The Company may, from time to time, apply for and take out, in its own name and at its own expense, naming itself or others as the designated beneficiary (which it may change from time to time), policies for health, accident, disability or other insurance upon the Executive or his life, in any amount or amounts that it may deem necessary or appropriate to protect its interest. The Executive agrees to aid the Company in procuring such insurance by submitting to reasonable medical examinations and by filling out, executing and delivering such applications and other instruments in writing as may reasonably be required by an insurance company or companies to which any application or applications for insurance may be made by or for the Company.

7. Arbitration.

7.1 Binding Effect. Except as provided in Section 7.2, any and all controversies, claims or disputes by the Executive or the Company relating to the provisions or obligations under this Agreement, or with respect to the employment or termination thereof, shall be submitted to final and binding arbitration in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association in effect at the time a demand for arbitration is made. It is the intention of the Executive and the Company that this Arbitration provision shall be enforceable under the Federal Arbitration Act. Venue for any arbitration will lie exclusively in Harris County, Texas

7.2 Excluded Matters. This Arbitration provision shall not apply to any claims for workers' compensation benefits, unemployment compensation benefits, or claims by the Company for injunctive relief available under this Agreement.

8. Other Provisions.

8.1 Section 409A. The benefits provided under Section 5.5 of this Agreement are intended to qualify as benefits from a "separation pay plan" (as such term is defined in Code Section 409A); this Agreement is not intended to provide for the deferral of compensation for purposes of Code Section 409A and the Treasury Regulations issued thereunder. Notwithstanding the preceding sentence, if at the time of payment of any benefits hereunder, the Company determines that this Agreement will not so qualify and will otherwise provide for the deferral of compensation, then (i) Sections 5.5.2 and 5.5.4 of this Agreement shall not be

effective, and (ii) if Executive is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company as in effect on the date of Executive's termination of employment), all amounts that would otherwise be payable and benefits that would otherwise be provided hereunder during the six-month period immediately following Executive's termination of employment shall instead be paid on the first business day after the date that is six months following the date of Executive's termination of employment to the extent such delayed payment is required to comply with the provisions of Section 409A of the Code.

8.2 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mail, as follows:

if to the Company, to:

ENGlobal U.S., Inc.
Attn: Legal
654 N. Sam Houston Pkwy E., Suite 400
Houston, TX 77060-5914

if to the Executive, to:

Roger Westerlind
5002 Collingwood Court
Sugarland, TX 77479

Either party may change its address for notice hereunder by notice to the other party.

8.3 Entire Agreement. This Agreement, contains the entire agreement and understanding between the parties with respect to its subject matter and supersedes all prior agreements, written or oral, with respect thereto; *provided, however,* that nothing herein shall in any way limit the obligation, rights or liabilities of the parties under any written stock option agreement separately entered into by the parties.

8.4 Waivers and Amendments. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

8.5 Governing Law; Venue. This Agreement, and all matters related to this Agreement, shall be governed by, and construed in accordance with, the laws of the State of Texas without reference to principles governing choice or conflicts of law (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas. Venue shall exclusively lie in the state and federal courts of Harris County, Texas.

8.6 Assignment. This Agreement, and any rights and obligations hereunder, may not be assigned by any party hereto without the prior written consent of the other party, except that the Company may assign this Agreement to any of its subsidiaries or affiliates or to any successor by merger or sale of all or substantially all of the Company's assets, without the Executive's consent provided such assignment does not diminish any of the Executive's benefits, rights or obligations hereunder.

8.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.8 Headings; Construction. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Each party has had the opportunity to review this Agreement with an attorney, and the rule of construction that contracts are to be construed against the drafter shall not apply to this Agreement.

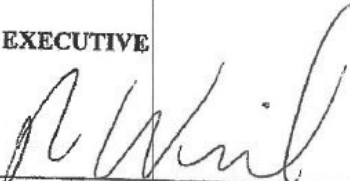
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written:

ENGLOBAL U.S., Inc.

By: 

Name: William A. Coskey
Title: Chief Executive Officer

EXECUTIVE


Roger Westerlind

THIRD AMENDMENT TO LEASE

This Third Amendment to Lease is made and entered into this _____ day of April, 2019, by and between Carson Portwall Management, LLC ("Landlord") and Englobal U.S., Inc. successor-by-merger to Englobal Systems, Inc. ("Tenant").

RECITALS

- A. Landlord and Tenant entered into a Standard Commercial Lease dated November 12, 2008, which was amended by the First Amendment to Lease dated December 10, 2008, which was amended by the Second Amendment to Lease dated September 7, 2015 (collectively hereinafter referred to as the "Lease"), under the terms of which Landlord leased to Tenant and Tenant leased from Landlord 225 Portwall, Suite 200, Houston, Texas, 77029, as more particularly described in the Lease.
- B. Landlord and Tenant wish to amend the Lease to relocate the Leased Premises, extend the Term, and make other related changes as hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual agreements herein set forth, Landlord and Tenant hereby agree as follows, effective as of the date hereof:

1. Effective July 1, 2019, the following Basic Lease Provisions set forth in Section 1.02, as amended, are hereby further amended to read in their entirety as follows:

(i) Building Square Footage:	162,178
(ii) Leased Premises:	221 Portwall Street, Suite 100, Houston, Texas 77029 as shown on the attached Exhibit A,
(iii) Leased Premises Square Footage:	approximately 81,089 SF
(iv) Tenant's Pro Rata Share:	50%
(v) Termination Date:	June 30, 2022

2. Surrender of 225 Portwall, Suite 200, Houston, TX: On June 30, 2019, Tenant shall surrender to Landlord the Leased Premises located at 225 Portwall, Suite 200, Houston, TX, in accordance with the Lease (except for Section 13.01 for which Landlord has agreed to take responsibility, with the exception of removing the overhead crane which remains Tenant's responsibility).

MS

3. Base Rent for the Leased Premises: Effective July 1, 2019, the Base Rent for the Leased Premises shall be as follows:

July 1, 2019 – June 30, 2020	\$30,000 per month
July 1, 2020 – December 31, 2020	\$30,700 per month
January 1, 2021 – June 30, 2021	\$36,500 per month
July 1, 2021 – June 30, 2022	\$37,400 per month

4. Tenant Improvements: Landlord, at their sole cost and expense, shall complete the following Tenant Improvements to 221 Portwall, Suite 100, as soon as reasonably possible:

- i. Install flooring in the office area
- ii. Upgrade power to 800 amps
- iii. Install a 20' H x 22' W overhead door
- iv. Install a demising wall
- v. Install 3 fixture warehouse restroom
- vi. Upgrade T-5 lighting to 30 f.c. at 36" A.F.F. in approximately 25,000 SF of warehouse area

5. Brokerage Fee: Landlord and Tenant each represents and warrants that no brokerage commission, finder's fee or other compensation is due or payable with respect to this Third Amendment other than a fee payable to NKGf payable by Landlord. Landlord and Tenant each hereby agree to indemnify, defend, and hold the other harmless from and against any losses, damages, costs and expenses (including, but not limited to, attorney's fees and costs) incurred by such party by reason of any breach or inaccuracy of the representations and warranties contained in this Section 5.

6. Renewal Option: While this Lease is in full force and effect, provided that Tenant is not in default of any of the terms, covenants and conditions thereof, Tenant shall have the right or option to extend the term of this Lease for two (2) additional terms of sixty (60) months each. Such extensions or renewals of the term shall be on the same terms, covenants and conditions as provided for in the then-current term except for tenant improvements and that the Base Rent during such renewal term shall be at the then-prevailing Fair Market Value rental rate for comparable properties in Near East Houston, but not less than the last month's rental rate. Notice of Tenant's intention to exercise the option must be given to Landlord in writing at least one hundred eighty (180) days prior to the expiration of the then-current term of this Lease. The renewal option contained herein shall automatically terminate upon the earlier to occur of (1) the expiration or termination of this Lease, (2) the termination of Tenant's right to possession of the Leased Premises, (3) the assignment of this Lease by Tenant, or, (4) the sublease by Tenant of the Leased Premises, or any portion thereof.

WAE

7. Amendment Controlling: Landlord and Tenant hereby acknowledge and reaffirm all their respective rights, duties and obligations under the Lease including this Amendment. In the event of any inconsistencies or conflicts between the terms and provisions of the Lease and the terms and provisions of this Amendment, the terms and provisions of this Amendment shall govern. Except as otherwise expressly provided herein, all defined terms shall have the meanings ascribed to them in the Lease.

MJC

[signature page follows]

IN WITNESS WHEREOF, the parties have caused this Third Amendment to Lease to be executed as of the day hereinabove written.

LANDLORD

TENANT

CARSON PORTWALL MANAGEMENT, LLC,
a Delaware limited liability company

ENGLOBAL U.S., INC.,
successor-by-merger to
ENGLOBAL SYSTEMS, INC.

By: Carson Estate Trust,
A Maryland Real Estate Investment Trust,
its managing member

By: _____

By: William A. Coskey

Title: Senior Vice President

Name: ~~Mark Hess~~ WILLIAM A. COSKEY

Title: ~~CFO~~ CEO

By: _____

James D. Flynn

Title: President

Guarantor hereby joins in this Amendment to acknowledge execution of this Amendment by Landlord and Tenant and to confirm that the Guaranty of Lease attached as Exhibit "E" to the Lease remains in full force and effect.

ENGLOBAL CORPORATION, INC.

By: William A. Coskey

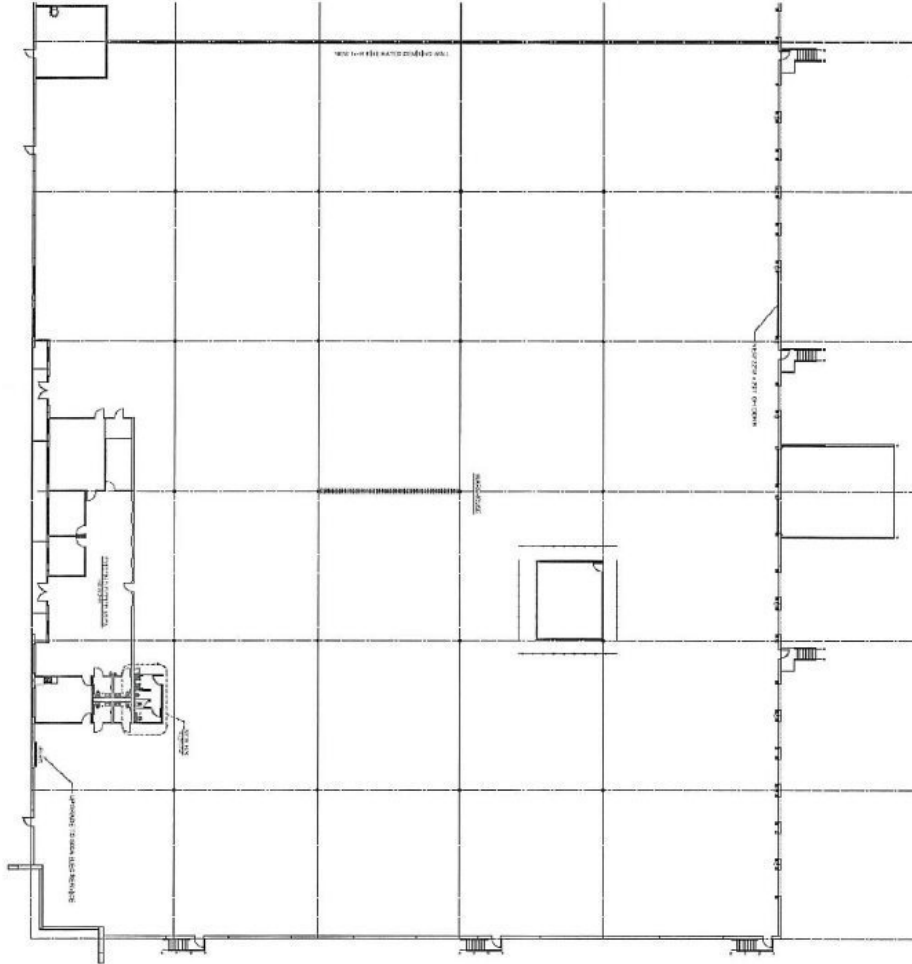
~~Mark Hess, Chief Financial Officer~~

WILLIAM A. COSKEY, CEO

EXHIBIT A

Leased Premises effective July 1, 2019

221 Portwall, Suite 200, Houston, Texas 77029



WDC

FOURTH AMENDMENT TO LEASE

This Fourth Amendment to Lease is made and entered into this 20 day of December, 2021, by and between Carson Portwall Management, LLC ("Landlord") and Englobal U.S., Inc., successor-by-merger to Englobal Systems, Inc. ("Tenant").

RECITALS

- A. Landlord and Tenant entered into a Standard Commercial Lease dated November 12, 2008, which was amended by the First Amendment to Lease dated December 10, 2008, which was amended by the Second Amendment to Lease dated September 7, 2015, which was amended by the Third Amendment to Lease dated April 30, 2019 (collectively hereinafter referred to as the "Lease").
- B. Landlord and Tenant wish to amend the Lease as hereinafter set forth.

NOW, THEREFORE, the parties mutually agree to amend the Lease as follows:

1. Incorporation of Recitals: The above recitals are incorporated herein and made a part of this Fourth Amendment to Lease.
2. Lease Term: The Lease Term is hereby extended by thirty-six (36) months. The new Termination Date is June 30, 2025.
3. Base Rent for the Leased Premises: Effective July 1, 2022, the Base Rent for the Leased Premises shall be as follows:

July 1, 2022 – June 30, 2023	\$38,335 per month
July 1, 2023 – June 30, 2024	\$39,295 per month
July 1, 2024 – June 30, 2025	\$40,280 per month
4. Tenant Improvements: Landlord, at their sole cost and expense, shall complete the following Tenant Improvements as soon as reasonably possible:
 - i. Replace (97) existing fluorescent warehouse light fixtures with new LED light fixtures
 - ii. Submeter domestic water service to 225 Portwall
5. Brokerage Fee: Landlord and Tenant each represents and warrants that no brokerage commission, finder's fee or other compensation is due or payable with respect to this Fourth Amendment other than a fee payable to NKGf payable by Landlord. Landlord and Tenant each hereby agree to indemnify, defend, and hold the other harmless from and against any losses, damages, costs and expenses (including, but



not limited to, attorney's fees and costs) incurred by such party by reason of any breach or inaccuracy of the representations and warranties contained in this Section 5.

6. Renewal Option: Tenant has one (1) remaining option to extend the term of this Lease pursuant to Section 6 of the Third Amendment to Lease.
7. Amendment Controlling: Landlord and Tenant hereby acknowledge and reaffirm all their respective rights, duties and obligations under the Lease including this Amendment. In the event of any inconsistencies or conflicts between the terms and provisions of the Lease and the terms and provisions of this Amendment, the terms and provisions of this Amendment shall govern. Except as otherwise expressly provided herein, all defined terms shall have the meanings ascribed to them in the Lease.

[signature page follows]

A handwritten signature in black ink, appearing to be the initials 'RW' or similar, located in the lower right quadrant of the page.

IN WITNESS WHEREOF, the parties have caused this Fourth Amendment to Lease to be executed as of the day hereinabove written.

LANDLORD

CARSON PORTWALL MANAGEMENT, LLC,
a Delaware limited liability company

By: Carson Estate Trust,
A Maryland Real Estate Investment Trust,
its managing member

By: _____

Name: _____

Title: _____


By: _____

Name: _____

Title: _____

TENANT

ENGLOBAL U.S., INC.,
successor-by-merger to
ENGLOBAL SYSTEMS, INC.

By: 
Name: Roger Weststrand
Title: President

Guarantor hereby joins in this Amendment to acknowledge execution of this Amendment by Landlord and Tenant and to confirm that the Guaranty of Lease attached as Exhibit "E" to the Lease remains in full force and effect.

ENGLOBAL CORPORATION, INC.

By: 
Mark Hess, Chief Executive Officer

ELEVENTH AMENDMENT TO LEASE

This agreement (the "Eleventh Amendment") made as of the 25th day of September, 2019, between **Oral Roberts University**, an Oklahoma corporation ("Landlord") and **ENGlobal U.S., Inc.**, successor-by-merger to ENGlobal Engineering, Inc., a Texas Corporation ("Tenant").

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated January 27, 2005 as amended by a First Amendment to Lease dated April 7, 2005, a Second Amendment to Lease dated June 13, 2005, a Third Amendment to Lease dated December 28, 2005, a Fourth Amendment to Lease dated February 27, 2006, a Fifth Amendment to Lease dated July 26, 2006, a Sixth Amendment to Lease dated June 20, 2007, a Seventh Amendment to Lease dated November 12, 2010, an Eighth Amendment to Lease dated May 15, 2012, a Ninth Amendment to Lease dated August 22, 2017, and a Tenth Amendment to Lease dated August 23, 2018 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant (the "parties") now desire to amend and modify the Lease in the following particulars;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. The provisions of this Eleventh Amendment shall supersede any inconsistent provisions contained in the Lease, whether such inconsistent provisions are contained in the printed portion of the Lease or any addendum, rider or exhibit annexed thereto. All capitalized items not otherwise defined herein shall have the same meanings ascribed to them in the Lease.
2. **Lease Term.** The Lease Term is extended to and shall expire on December 31, 2021, unless sooner terminated or extended to a later day under any other term or provision of the Lease.
3. **Base Rental.** Effective January 1, 2020, Base Rental shall be \$490,161.00 per annum (\$40,846.75 per month).
4. **Tenant Improvements.** Landlord, at Landlord's expense, on or before December 31, 2019, shall perform the repairs and painting specified in Exhibit "A" attached hereto.
5. **Broker.** The parties hereto agree that Cushman Wakefield is Tenant's sole and exclusive representative ("Tenant's Broker"). Landlord agrees to pay a commission to Tenant's Broker as per existing agreement with Tenant's Broker. Tenant represents it neither consulted nor negotiated with any broker other than Tenant's Broker with regard to the Premises. Tenant agrees to indemnify, defend and save Landlord harmless from and against any claims for fees or commissions from anyone other than Tenant's Broker.
6. Except as herein expressly amended or modified the terms and conditions of the Lease are hereby ratified and confirmed and shall remain in full force and effect.
7. This Agreement shall not constitute an agreement by Landlord or Tenant and shall not be binding upon Landlord or Tenant unless and until this Agreement shall be executed by Landlord and Tenant.
8. This Agreement may be changed only in writing, signed by both parties, and shall be binding upon and inure to the benefit of Landlord and Tenant, their respective heirs, successors and, as permitted, their assigns.

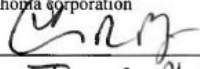
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IN WITNESS WHEREOF, Landlord and Tenant have executed this Eleventh Amendment to Lease as of the date first written above.

LANDLORD:

Oral Roberts University,
an Oklahoma corporation

By: 

Name: Tim R. Philley

Title: C.O.O.

TENANT:

ENGlobal U.S., Inc.
a Texas corporation

By: 

Name: William A. Coskey, P.E.

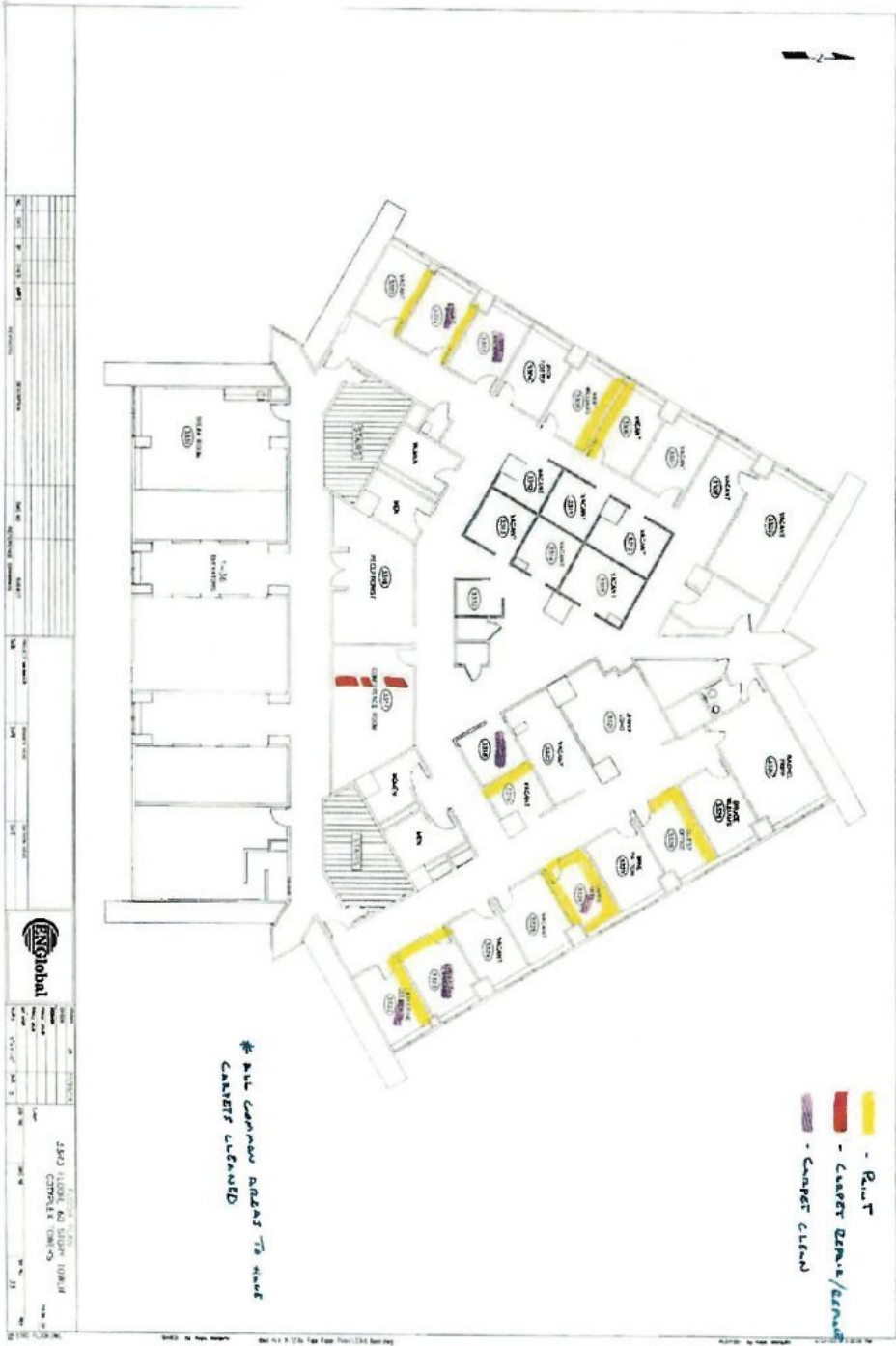
Title: Chief Executive Officer



Exhibit "A"

- **Painting – Landlord will repaint the premises as described in Attachment A, to match the existing paint on each floor.**
- **Carpet – Landlord will professionally clean all accessible carpeted areas throughout the premises.**
- **Landlord will re-carpet the conference room on the 33rd floor, known as Room 3317, along with repairs as outlined on Attachment A.**
- **Landlord will remove 2 ice makers on the 36th floor and replace with building standard shelving and doors.**
- **Repair and paint the overlook glass points of each floor of the premises.**

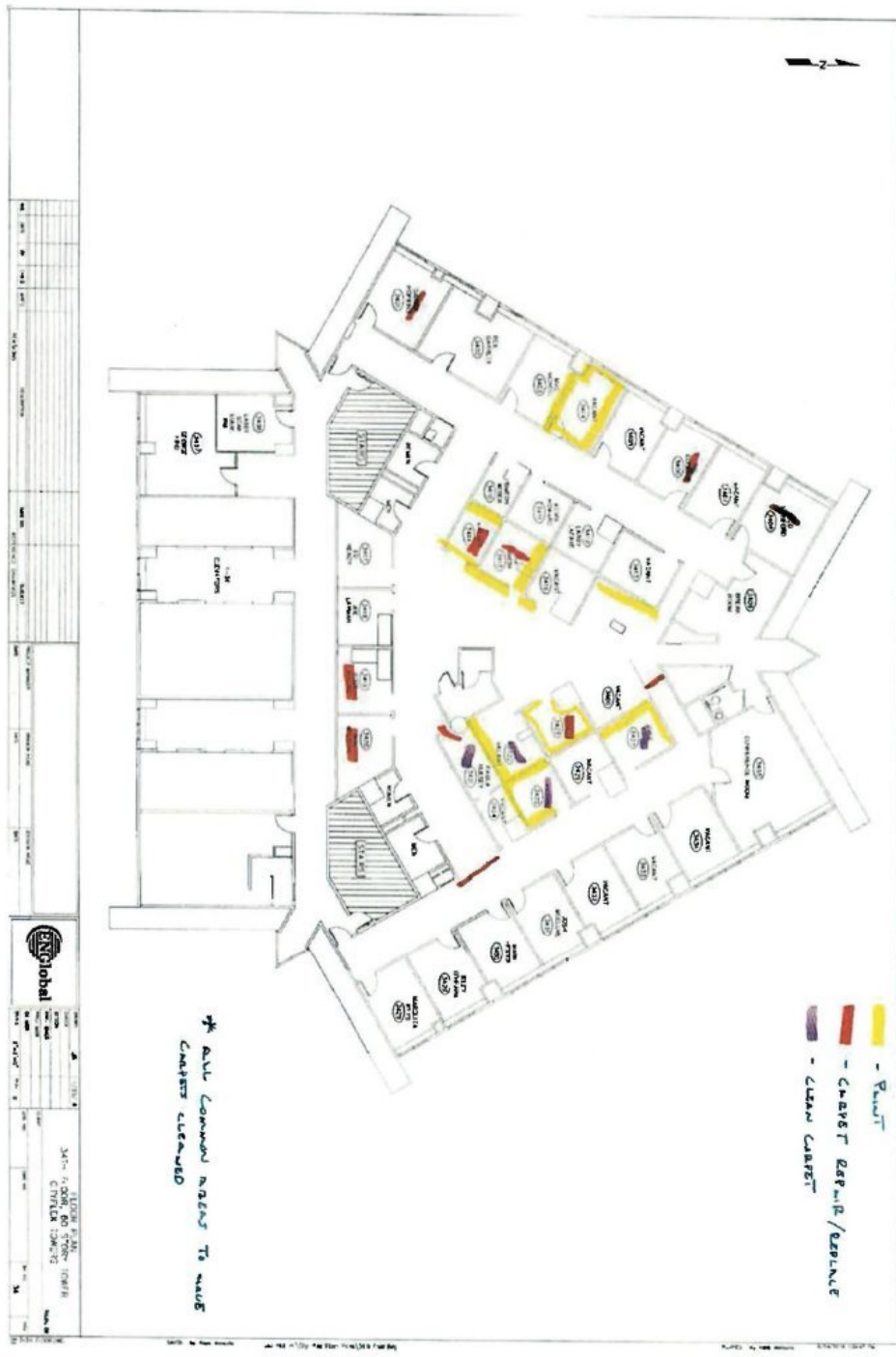




NO.	DESCRIPTION	DATE	STATUS	REMARKS
1
2
3
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10



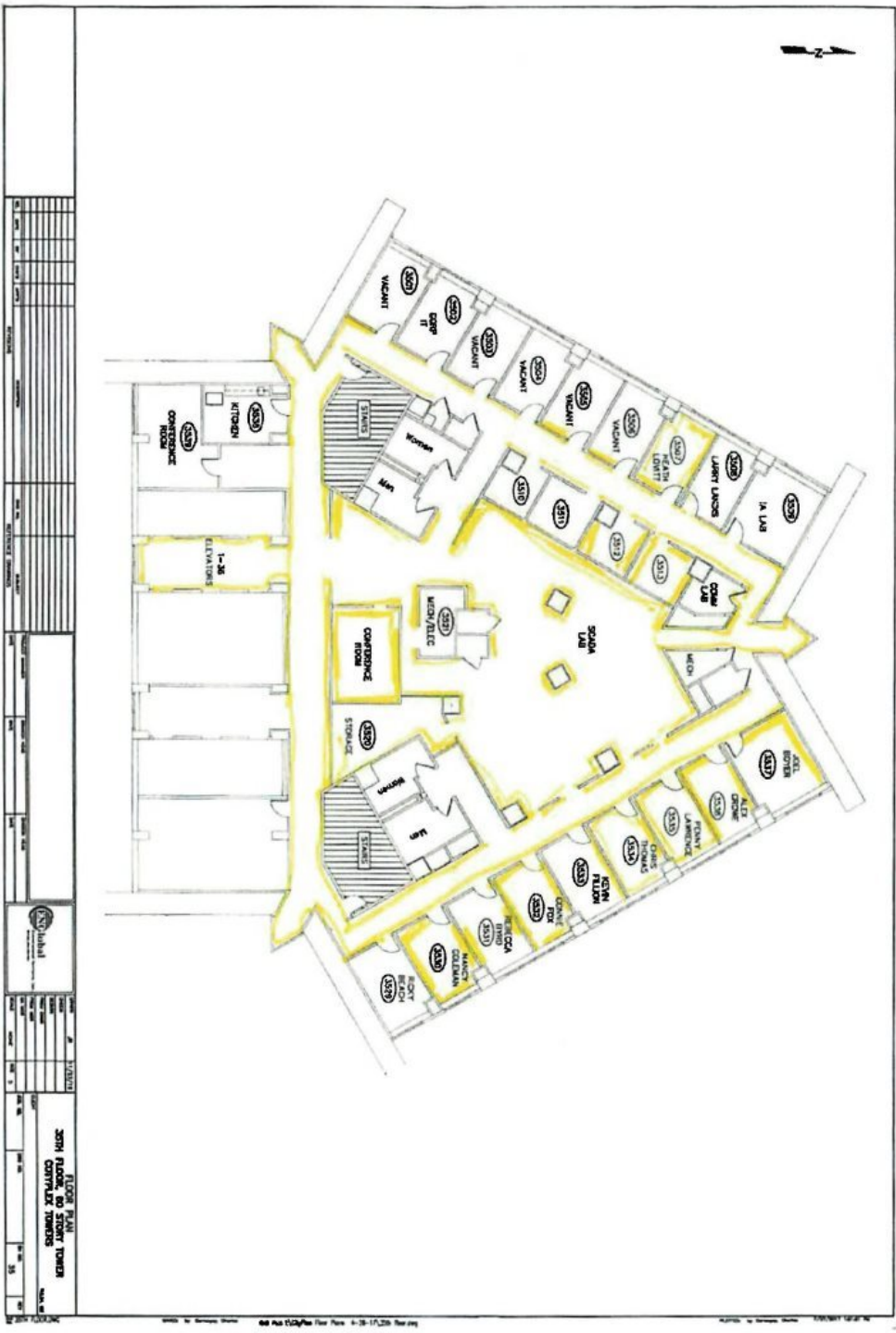
PROJECT NO. 1000000000
 PROJECT NAME: JACOBI HALL RENOVATION
 PROJECT LOCATION: 1000000000
 PROJECT START DATE: 10/01/2000
 PROJECT END DATE: 09/30/2001
 PROJECT STATUS: COMPLETED
 PROJECT MANAGER: JACOBUS
 PROJECT COORDINATOR: JACOBUS
 PROJECT SUPERVISOR: JACOBUS
 PROJECT ASSISTANT: JACOBUS
 PROJECT OFFICE: JACOBUS
 PROJECT PHONE: JACOBUS
 PROJECT FAX: JACOBUS
 PROJECT EMAIL: JACOBUS@JACOBUS.COM
 PROJECT WEBSITE: JACOBUS.COM
 PROJECT ADDRESS: JACOBUS
 PROJECT CITY: JACOBUS
 PROJECT STATE: JACOBUS
 PROJECT ZIP: JACOBUS



NO.	DESCRIPTION	DATE	STATUS	REMARKS
1	PAINT	10/15/2023	COMPLETED	PAINTED OFFICE 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200
2	CARPET REPAIR/REPLACE	10/15/2023	COMPLETED	REPAIRED CARPETS IN OFFICE 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200
3	CLEAN CARPET	10/15/2023	COMPLETED	CLEANED CARPETS IN OFFICE 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200



GLOBAL
 3400 S. DOWNEY BLVD
 CHICAGO, IL 60604



NO.	REVISION	DATE	BY	CHKD.

PROJECT NO.	
PROJECT NAME	
FLOOR	
TOWER	
DATE	
DRAWN BY	
CHECKED BY	
SCALE	

FLOOR PLAN
30TH FLOOR, 80 STORY TOWER
CONTRACT NUMBER:

10/17/2014 4:30 PM
30th Floor Plan 4-18-17, 2014 Rev. 04



NO.	DESCRIPTION	DATE	BY	REVISION
1	ISSUED FOR PERMIT	08/13/03	ES/ML	
2	REVISED PER PERMITTING AGENCY	08/20/03	ES/ML	
3	REVISED PER PERMITTING AGENCY	09/01/03	ES/ML	
4	REVISED PER PERMITTING AGENCY	09/15/03	ES/ML	
5	REVISED PER PERMITTING AGENCY	09/22/03	ES/ML	
6	REVISED PER PERMITTING AGENCY	10/06/03	ES/ML	
7	REVISED PER PERMITTING AGENCY	10/13/03	ES/ML	
8	REVISED PER PERMITTING AGENCY	10/27/03	ES/ML	
9	REVISED PER PERMITTING AGENCY	11/03/03	ES/ML	
10	REVISED PER PERMITTING AGENCY	11/17/03	ES/ML	
11	REVISED PER PERMITTING AGENCY	12/01/03	ES/ML	
12	REVISED PER PERMITTING AGENCY	12/15/03	ES/ML	
13	REVISED PER PERMITTING AGENCY	12/29/03	ES/ML	
14	REVISED PER PERMITTING AGENCY	01/12/04	ES/ML	
15	REVISED PER PERMITTING AGENCY	01/26/04	ES/ML	
16	REVISED PER PERMITTING AGENCY	02/09/04	ES/ML	
17	REVISED PER PERMITTING AGENCY	02/23/04	ES/ML	
18	REVISED PER PERMITTING AGENCY	03/09/04	ES/ML	
19	REVISED PER PERMITTING AGENCY	03/23/04	ES/ML	
20	REVISED PER PERMITTING AGENCY	04/06/04	ES/ML	
21	REVISED PER PERMITTING AGENCY	04/20/04	ES/ML	
22	REVISED PER PERMITTING AGENCY	05/04/04	ES/ML	
23	REVISED PER PERMITTING AGENCY	05/18/04	ES/ML	
24	REVISED PER PERMITTING AGENCY	06/01/04	ES/ML	
25	REVISED PER PERMITTING AGENCY	06/15/04	ES/ML	
26	REVISED PER PERMITTING AGENCY	06/29/04	ES/ML	
27	REVISED PER PERMITTING AGENCY	07/13/04	ES/ML	
28	REVISED PER PERMITTING AGENCY	07/27/04	ES/ML	
29	REVISED PER PERMITTING AGENCY	08/10/04	ES/ML	
30	REVISED PER PERMITTING AGENCY	08/24/04	ES/ML	
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32	REVISED PER PERMITTING AGENCY	09/21/04	ES/ML	
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34	REVISED PER PERMITTING AGENCY	10/19/04	ES/ML	
35	REVISED PER PERMITTING AGENCY	11/02/04	ES/ML	
36	REVISED PER PERMITTING AGENCY	11/16/04	ES/ML	
37	REVISED PER PERMITTING AGENCY	11/30/04	ES/ML	
38	REVISED PER PERMITTING AGENCY	12/14/04	ES/ML	
39	REVISED PER PERMITTING AGENCY	12/28/04	ES/ML	
40	REVISED PER PERMITTING AGENCY	01/11/05	ES/ML	
41	REVISED PER PERMITTING AGENCY	01/25/05	ES/ML	
42	REVISED PER PERMITTING AGENCY	02/08/05	ES/ML	
43	REVISED PER PERMITTING AGENCY	02/22/05	ES/ML	
44	REVISED PER PERMITTING AGENCY	03/08/05	ES/ML	
45	REVISED PER PERMITTING AGENCY	03/22/05	ES/ML	
46	REVISED PER PERMITTING AGENCY	04/05/05	ES/ML	
47	REVISED PER PERMITTING AGENCY	04/19/05	ES/ML	
48	REVISED PER PERMITTING AGENCY	05/03/05	ES/ML	
49	REVISED PER PERMITTING AGENCY	05/17/05	ES/ML	
50	REVISED PER PERMITTING AGENCY	05/31/05	ES/ML	

34TH FLOOR OF FIRST TOWER
 SOUTH TOWER OF WORLD TRADE CENTER AT TOWER

ES/ML: ES/ML 03/11/05 11:52 AM
 34TH FLOOR OF FIRST TOWER SOUTH TOWER OF WORLD TRADE CENTER AT TOWER

TWELFTH AMENDMENT TO LEASE

This agreement (the "Twelfth Amendment") made as of the 11th day of November, 2020, between **Oral Roberts University**, an Oklahoma corporation ("Landlord") and **ENGlobal U.S., Inc.**, successor-by-merger to ENGlobal Engineering, Inc., a Texas Corporation ("Tenant").

WHEREAS, Landlord and Tenant entered into that certain Lease Agreement dated January 27, 2005 as amended by a First Amendment to Lease dated April 7, 2005, a Second Amendment to Lease dated June 13, 2005, a Third Amendment to Lease dated December 28, 2005, a Fourth Amendment to Lease dated February 27, 2006, a Fifth Amendment to Lease dated July 26, 2006, a Sixth Amendment to Lease dated June 20, 2007, a Seventh Amendment to Lease dated November 12, 2010, an Eighth Amendment to Lease dated May 15, 2012, a Ninth Amendment to Lease dated August 22, 2017, a Tenth Amendment to Lease dated August 22, 2018, and an Eleventh Amendment to Lease dated September 25, 2019 (as so amended, the "Lease"); and

WHEREAS, Landlord and Tenant (the "parties") now desire to amend and modify the Lease in the following particulars;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. The provisions of this Twelfth Amendment shall supersede any inconsistent provisions contained in the Lease, whether such inconsistent provisions are contained in the printed portion of the Lease or any addendum, rider or exhibit annexed thereto. All capitalized items not otherwise defined herein shall have the same meanings ascribed to them in the Lease.

2. **Lease Term.** The Lease Term is extended to and shall expire on December 31, 2022, unless sooner terminated or extended to a later day under any other term or provision of the Lease.

3. **Premises.** On or before December 31, 2020, Tenant shall vacate and surrender to Landlord the portion of the Premises consisting of 11,250 square feet of Net Rentable Area on the 36th floor of the building which has a street address of 2448 E. 81st Street, Tulsa, Oklahoma. As of January 1, 2021, the Premises shall consist of a total of 35,432 square feet of Net Rentable Area contained in suites 120, 3300, 3400 and 3500.

4. **Base Rental.** Effective January 1, 2021, Base Rental shall be \$372,036.00 per annum (\$31,003.00 per month).

5. **Parking.** Effective January 1, 2021, the number of parking spaces reserved for Tenant under paragraph 7 of the Lease Agreement shall be reduced by five.

6. **Broker.** The parties hereto agree that Commercial Oklahoma is Tenant's sole and exclusive representative ("Tenant's Broker"). Landlord agrees to pay a commission to Tenant's Broker of four percent (4%) of the increase in Net Base Rental to be paid to Landlord under this Twelfth Amendment. Tenant represents it neither consulted nor negotiated with any broker other than Tenant's Broker with regard to the Premises. Tenant agrees to indemnify, defend and save Landlord harmless from and against any claims for fees or commissions from anyone other than Tenant's Broker.

7. Except as herein expressly amended or modified the terms and conditions of the Lease are hereby ratified and confirmed and shall remain in full force and effect.

8. This Twelfth Amendment shall not constitute an agreement by Landlord or Tenant and shall not be binding upon Landlord or Tenant unless and until this Twelfth Amendment shall be executed by Landlord and Tenant.

9. This Twelfth Amendment may be changed only in writing, signed by both parties, and shall be binding upon and inure to the benefit of Landlord and Tenant, their respective heirs, successors and, as permitted, their assigns.



IN WITNESS WHEREOF, Landlord and Tenant have executed this Twelfth Amendment to Lease as of the date first written above.

LANDLORD:

Oral Roberts University,
an Oklahoma corporation

By: *[Signature]*

Name: Tim A. Philley

Title: C.O.O.

TENANT:

ENGlobal U.S., Inc.
a Texas corporation

By: *[Signature]*

Name: William A. Coskey, P.E.

Title: Chief Executive Officer





LANDLORD'S CONSENT TO SUBLEASE

THIS LANDLORD'S CONSENT TO SUBLEASE (this "Consent") is made as of May 26, 2021, by and between ENERGY TOWER III INVESTMENTS LTD, a Texas limited partnership ("Landlord") and FMC TECHNOLOGIES, INC., a Delaware corporation, as successor-in-interest to Technip USA, Inc. ("Tenant") and ENGlobal U.S., Inc., a Texas corporation ("Subtenant"), with reference to the following recitals:

RECITALS:

A. Landlord and Tenant entered into that certain Lease dated as of April 17, 2013, as amended (the "Master Lease"), pursuant to which Landlord leases to Tenant certain premises consisting of approximately 428,831 square feet more particularly described in the Master Lease (the "Tenant's Premises") in the Energy Tower III building located at 11740 Katy Freeway, Houston, Texas 77079.

B. Tenant has asked Landlord to consent to the subletting of a portion of the Tenant's Premises to Subtenant, pursuant to the Sublease dated May 20, 2021, by and between Tenant and Subtenant (the "Sublease"), a copy of which is attached hereto as Exhibit A.

NOW, THEREFORE, Landlord hereby consents to the Sublease of the Premises to Subtenant as indicated by the signature below, such consent being subject to and upon the following terms and conditions (including, without limitation, receipt by Landlord of the Administrative Fee (as defined below)), to each of which, Landlord, Tenant and Subtenant expressly agree:

1. This Consent shall not release and/or discharge Tenant from any of its obligations under the terms of the Master Lease, and Tenant shall be and remain fully responsible under the Master Lease. Without limiting the generality of the foregoing, Tenant shall be required to obtain Landlord's consent, to the extent required by the Master Lease, for any alterations and/or improvements to the Tenant's Premises required or permitted by the Sublease. Landlord and Tenant do hereby ratify and confirm the Master Lease and agree and acknowledge that it continues as the valid and enforceable obligation between Landlord and Tenant, according to the terms set forth in the Master Lease, despite the execution of the Sublease and this Consent thereto. The Sublease is subject and subordinate to the Master Lease.
2. Termination of the Master Lease and/or Tenant's possession of the Tenant's Premises shall likewise automatically terminate the Sublease and/or Subtenant's possession of the Tenant's Premises.
3. This consent by Landlord to the Sublease shall not constitute a waiver of the consent requirement for any future subletting or assignment, including, without limitation, any further subletting of the Tenant's Premises to Subtenant pursuant to the "Right of First Refusal" provision contained in Section 38 of the Sublease. It is further understood that all obligations required to be performed and all services required to be provided by Landlord under the Master



Lease shall run to the benefit of Tenant only and as such can be enforced or called upon by only Tenant. Landlord shall have no responsibility or liability to the Subtenant by virtue of this Consent, or otherwise, to perform any such obligation or provide any such services whatsoever, except as provided herein.

4. Tenant shall pay to Landlord \$1,500.00 (the "Administrative Fee") on or before the Effective Date as an administrative fee to compensate Landlord for expenses incurred in connection with the preparation of this Consent, including, without limitation, Landlord's attorney's fees and expenses. Notwithstanding the payment of such Administrative Fee, Landlord's attorney represents Landlord only, and Tenant and Subtenant acknowledge that Landlord's attorney does not represent them.

5. Tenant and Subtenant agree to indemnify and hold harmless Landlord from and against any and all claims of any real estate broker or agent or other such parties claiming by, through or under them in connection with the negotiation of the Sublease.

6. It is specifically understood and agreed that although Landlord consents to the Sublease, Landlord is not a party to such Sublease and is therefore not liable to Subtenant or Tenant under such Sublease.

7. This Consent may be executed in any number of several counterparts, shall be governed and controlled by, and interpreted under, the laws of the State of Texas, and shall inure to the benefit of the parties hereto and their respective successors and assigns.


[SIGNATURES ON FOLLOWING PAGE]



LANDLORD:

ENERGY TOWER III INVESTMENTS LTD, a
Texas limited partnership

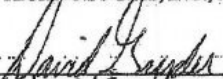
By: ENERGY TOWER III INVESTMENTS GP
LLC, a Texas limited liability company, its
general partner

By: 
Name: _____
Title: _____

WE AGREE TO AND BE BOUND BY THE ABOVE LANDLORD'S CONSENT BY AND
BETWEEN ENERGY TOWER III INVESTMENTS LTD ("LANDLORD"), FMC
TECHNOLOGIES, INC. ("TENANT") AND ENGLOBAL U.S., INC. ("SUBTENANT"):

TENANT:

FMC TECHNOLOGIES, INC., a Delaware corporation

By: 
Name: David Snyder
Title: Real Estate Project Manager

SUBTENANT:

ENGLOBAL U.S., INC. a Texas corporation

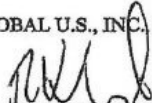
By: 
Name: Roger Westerlind
Title: President



Exhibit A

APPROVED FORM OF SUBLEASE

[SEE FOLLOWING __ PAGES]



SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "**Sublease Agreement**") is entered into by and between **FMC Technologies, Inc.**, as successor-in-interest to Technip USA, Inc. ("**Sublandlord**") and **ENGlobal U.S., Inc.**, a Texas corporation ("**Subtenant**") and shall be effective on May 20, 2021 (the "**Effective Date**"); subject to the consent of Landlord as provided in **Paragraph 32** below.

RECITALS:

- A. Technip USA, Inc. and Energy Tower III Investments, LTD, a Texas limited partnership (formerly I-10 Energy Investments, LTD) ("**Landlord**") are parties to that certain Office Lease Agreement dated as of April 17, 2013, a copy of which is attached hereto as Exhibit A and incorporated herein by reference for all purposes (the "**Base Lease**"), pursuant to which Landlord leased to Sublandlord and Sublandlord leased from Landlord those premises (the "**Leased Premises**") comprised of approximately 428,831 square feet of Net Rentable Area, in the building located at 11740 Katy Freeway, Houston, Harris County, Texas 77079 and known as Energy Tower III (the "**Building**") as more particularly described and on the terms and conditions set forth in the Base Lease.
- B. Sublandlord is currently in possession of the Leased Premises under the terms and provisions of the Base Lease.
- C. The Base Lease has been amended per the First Amendment to the Lease dated July 1, 2014.
- D. Sublandlord desires to sublease to Subtenant and Subtenant desires to sublease from Sublandlord approximately 26,006 square feet of Net Rentable Area being the entirety of the eleventh (11th) floor of the Building, as depicted on the floor plan attached hereto as Exhibit B (the "**Subleased Premises**").

AGREEMENTS:

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. Defined Terms. All capitalized terms used but not expressly defined herein shall have the meanings ascribed to such terms in the Base Lease, unless the context requires otherwise.
 2. Agreement to Sublease. Sublandlord hereby subleases to Subtenant, and Subtenant hereby accepts and subleases from Sublandlord, upon and subject to the covenants, agreements, terms, provisions and conditions of this Sublease Agreement, the Subleased Premises.
 3. Sublease Term. The term of this Sublease Agreement (the "**Sublease Term**") shall commence on the earlier to occur of: (i) the date Subtenant begins standard business operations of any kind within the Subleased Premises or (ii) 45 days after receipt of Landlord consent. (the "**Sublease Commencement Date**") and shall expire on the earlier to occur of (a) 11:59 PM on January 30, 2029 (the "**Expiration Date**") or (b) the earlier expiration or termination of the Base Lease, unless sooner terminated pursuant to the terms of this Sublease Agreement. Notwithstanding the foregoing, Subtenant
-

shall have the right to access the Subleased Premises on the Delivery Date and prior to the Commencement Date, at no cost or expense to Subtenant (unless Sublandlord incurs any charges during such time period due to Subtenant's activities in the Subleased Premises) for the sole purpose of installing Subtenant's wiring, cabling, IT systems, furniture, fixtures and equipment and other items related to Subtenant's preparation of the Subleased Premises for business operations, provided Subtenant provides Sublandlord with not less than one business day prior written notice of such entry. Upon the expiration or earlier termination of this Sublease Agreement, Subtenant shall immediately surrender possession of the Subleased Premises, in good condition and repair and in broom clean condition, ordinary wear and tear excepted. With respect to any fixtures, equipment, alterations, improvements or additions made or installed in the Subleased Premises by Subtenant during the Sublease Term, including but not limited to any demising walls (but excluding any and all wiring and cabling installed by Subtenant, as to which Subtenant may leave in place), Subtenant shall remove the same and restore the Subleased Premises to the condition it was in on the Effective Date, reasonable wear and tear excepted, but only to the extent such removal is required of Sublandlord by Landlord and/or under the terms of the Base Lease. Subtenant shall repair any damage occasioned by its removal of any such matter at its own expense, and in default thereof, Sublandlord or Landlord may effect such removal and repair, and Subtenant shall pay the cost thereof to the party effecting such removal or repairs upon demand. Subtenant shall indemnify and hold Sublandlord from and against any and all claims, losses, expenses or damages, including, without limitation, reasonable attorneys' fees and disbursements, arising out of or resulting from any failure of Subtenant to restore the Premises. Under no circumstances shall Subtenant be permitted to retain possession of the Subleased Premises after the expiration or earlier termination of the Sublease Term. In the event of any holdover Subtenant shall be deemed a tenant at sufferance, subject to immediate eviction and Subtenant shall be responsible for any and all costs incurred by Sublandlord for such holdover and pay 150% of the Base Rent and Additional Rent in effect for the month prior to such holdover. Further, Subtenant shall (a) indemnify, defend (with counsel reasonably acceptable to Sublandlord) and hold harmless the Sublandlord from and against all claims, expenses, losses and damages asserted against the Sublandlord, including, without limitation, reasonable attorneys' fees and disbursements, arising out of or resulting from Subtenant's continued holdover of the Subleased Premises in default of the Sublease and to the extent of such default or for any damage to the Premises or furniture.

4. Delivery/Acceptance of the Subleased Premises. Sublandlord shall deliver the Subleased Premises to Subtenant after full execution of this Sublease and receipt of Landlord consent (the "**Delivery Date**"), broom clean and in their then current AS-IS condition, together with those items of FF&E described in **Paragraph 5**, below. It is expressly stipulated, acknowledged and agreed that Sublandlord shall not be obligated to make any improvements or alterations to the Subleased Premises whatsoever prior to the delivery of same to Subtenant. NO REPRESENTATIONS OR WARRANTIES, EXCEPT AS MAY BE EXPRESSLY CONTAINED HEREIN, HAVE BEEN MADE TO SUBTENANT RESPECTING THE CONDITION OF THE SUBLEASED PREMISES. SUBTENANT HEREBY ACKNOWLEDGES AND AGREES: (A) THAT SUBTENANT HAS INSPECTED THE SUBLEASED PREMISES AND WILL ACCEPT SUCH SUBLEASED PREMISES ON THE SUBLEASE COMMENCEMENT DATE IN THEIR THEN CURRENT "AS IS, WHERE IS" CONDITIONS, WITH ALL FAULTS AND DEFECTS; AND (B) THE SUBLEASED PREMISES ARE SUITABLE FOR THE PURPOSES FOR WHICH THEY ARE BEING SUBLEASED. THE TAKING OF POSSESSION OF THE SUBLEASED PREMISES BY SUBTENANT SHALL CONSTITUTE SUBTENANT'S ACKNOWLEDGMENT THAT THE SUBLEASED PREMISES ARE IN SATISFACTORY CONDITION.

5. Sublandlord's FF&E. During the Sublease Term, Subtenant, at no additional cost, shall be entitled to use all furniture, fixtures and equipment owned by Sublandlord and currently located in the Subleased Premises (the "FF&E"), which FF&E is itemized on Exhibit C attached hereto. During the Sublease Term, Subtenant shall maintain the FF&E in good condition and repair and upon expiration of the Sublease Term, shall return the FF&E to Sublandlord in good condition and repair, ordinary wear and tear excepted. Upon the Expiration Date, provided Subtenant has complied with all terms of the Sublease and no Event of Default exists, Subtenant shall have the right to purchase the FF&E via Bill of Sale for \$1.00. In addition to the foregoing, Sublandlord shall provide Subtenant with unfettered access to Sublandlord's IT room in order to install, operate and maintain Subtenant's IT systems and assets, and Sublandlord grants Subtenant the right, subject to Landlord consent, to make alterations to such room as needed to effect such installation, operation and maintenance.

6. Cubicles and Desks. Sublandlord agrees, by the Sublease Commencement Date and at no expense to Subtenant, to furnish and install per attached floor plan (Exhibit B) office desks and cubicles within the Subleased Premises in quantities and locations acceptable to Subtenant. Such office desks and cubicles shall remain available for Subtenant's use throughout the Sublease Term and shall be returned to Sublandlord in the same condition as received on the Sublease Commencement Date, standard wear and tear excepted.

7. Use of Subleased Premises. The Subleased Premises shall only be used for general office purposes as provided in the Base Lease. Further, Subtenant's use of the Subleased Premises shall be subject to all other express restrictions and conditions set forth in the Base Lease. Subtenant and Sublandlord shall comply with all laws, ordinances, rules and regulations governing such use, whether the same are issued by a governmental or quasi-governmental agency or by the Landlord for the health, safety or wellbeing of the tenants in the Building.

8. Rent.

(a) **Base Rent.** Commencing on the Sublease Commencement Date and continuing thereafter throughout the Sublease Term, Subtenant shall pay Sublandlord, as rental for the use and enjoyment of the Subleased Premises, monthly installments of base rent ("**Base Rent**") in the amounts set forth below, monthly, in advance, on the first day of each calendar month during the Sublease Term, at the address of Sublandlord for notices set forth in **Paragraph 22** below (or such other address as Sublandlord may designate in a written notice delivered to Subtenant), without notice or demand and without any setoff, abatement or counterclaim. Within ten (10) days after the Effective Date, Subtenant shall pay Sublandlord the first installment of Base Rent and the Security Deposit, a total of \$87,185.11 (\$27,089.58 first month's Base Rent due + Security Deposit), which shall be applied to the first monthly installment due and payable hereunder. In the event the Sublease Rent Commencement Date or the expiration or termination date of the Sublease Term shall occur on a date other than the first or last of the month, as applicable, the first and/or last month's installment of Base Rent and Additional Rent shall be prorated appropriately. All sums of money required to be paid by Subtenant under this Sublease Agreement, including Base Rent, Additional Rent and any adjustments thereto as provided hereinbelow shall be considered rent (and are sometimes collectively referred to herein as "**Rent**") whether or not specifically designated as such.

Base Rent:

<u>Period:</u>	<u>Monthly</u>	<u>Annual</u>	<u>Base Rent</u>	<u>Annual</u>	<u>Rate/psf</u>
	<u>Installment:</u>	<u>(NNN):</u>		<u>(NNN):</u>	

Month 1 – Month 8*	\$ 0.00	\$ 0.00	\$ 0.00
Month 9 – Month 20	\$ 27,089.58	\$ 325,075.00	\$ 12.50
Month 21 – Month 32	\$ 28,173.17	\$ 338,078.00	\$ 13.00
Month 33 – Month 36*	\$ 0.00	\$ 0.00	\$ 0.00
Month 37 – Month 48	\$ 29,256.75	\$ 351,081.00	\$ 13.50
Month 49 – Month 60	\$ 30,340.33	\$ 364,084.00	\$ 14.00
Month 61 – Month 72	\$ 31,423.92	\$ 377,087.00	\$ 14.50
Month 73 – Month 84	\$ 32,507.50	\$ 390,090.00	\$ 15.00
Month 84 – Expiration Date	\$ 33,591.08	\$ 403,093.00	\$ 15.50

**Months 1-8 and 33-36 shall be free of Additional Rent in addition to Base Rent*

(b) **Additional Rent.** In addition to Subtenant’s obligation to pay the Base Rent described above, throughout the Sublease Term Subtenant shall also pay to Sublandlord all of Sublandlord’s Pro Rata Share of Building Operating Expenses allocable to the Subleased Premises payable by Sublandlord to Landlord under the Base Lease (“**Additional Rent**”), subject to the same limitations and exclusions contained therein; Subtenant shall make all such payments of Additional Rent in monthly installments together with its payment of Base Rent in the manner prescribed in the Base Lease. Subtenant shall not owe any Additional Rent for the periods of Month 1 – Month 8 and Month 33 - 36. Subtenant shall have a right to audit the Building Operating Expenses in accordance with and subject to the terms and conditions of the Base Lease. Operating Expenses for the Building for 2021 are currently estimated at \$12.23/RSF.

All Base Rent, Additional Rent and any other amounts or any portion thereof not paid by Subtenant to Sublandlord within ten (10) days of when due shall be subject to a late charge (to compensate Sublandlord for the added administrative expense caused by such late payment) equal to three percent (3.0%) of such amount which Subtenant failed to pay timely. Notwithstanding the foregoing, Subtenant shall be entitled to a written notice and a five (5) business day cure period on one (1) occasion during any twelve (12) month period during the Sublease Term before such late fee is assessed.

9. **Security Deposit.** Within ten (10) days of receipt of Landlord’s consent to this Sublease Agreement, Subtenant shall deposit \$60,095.53 (the “**Security Deposit**”) with Sublandlord to secure Subtenant’s performance of its obligations hereunder. If Subtenant defaults hereunder, then Sublandlord may, without prejudice to Sublandlord’s other remedies, apply part or all of the Security Deposit to cure Subtenant’s default. If Sublandlord so uses part or all of the Security Deposit, Subtenant shall, within ten (10) days after written demand, pay Sublandlord the amount necessary to restore the Security Deposit to its original amount. Sublandlord shall not be required to pay any interest on said Security Deposit, and Sublandlord may commingle the Security Deposit with other funds. If Sublandlord assigns its interest in the Base Lease, the Security Deposit shall be transferred to the transferee and Sublandlord shall be relieved of any further liability in relation to the Security Deposit. Upon the termination of this Sublease Agreement, Sublandlord may use the Security Deposit to cure any defaults of Subtenant or to reimburse Sublandlord for expenses of repairing, restoring or cleaning the Subleased Premises. In the event all or any portion of the Security Deposit remains after paying for such items, the remaining amount shall be returned to Subtenant within sixty (60) days of the expiration of this Sublease Agreement.

10. Alteration of Subleased Premises Prohibited. Subtenant shall not alter, modify or improve the Subleased Premises except (a) in strict compliance with the terms and conditions of this Sublease Agreement and the Base Lease and (b) with Sublandlord's and Landlord's prior written consent, which consent of Sublandlord shall not be unreasonably withheld or delayed. Sublandlord hereby gives its consent to Subtenant for Subtenant's plans (as of the Effective Date) to modify and expand the IT room, modify offices and/or conference rooms, and build a reception area within the Subleased Premises. Sublandlord shall not be responsible for any supervision and/or overhead costs associated with the Subtenant's alterations. Subtenant shall not be charged for: parking, hoists, freight elevators, access to loading docks, utilities, or temporary HVAC during construction or Subtenant's move into the Building unless the same is incurred by Sublandlord, in which case Sublandlord shall pass through to Subtenant. Subtenant will have the right to use reputable contractors, architects and engineers of Subtenant's selection for the design and construction of any of Subtenant's alterations or improvements, subject to the Base Lease and with Sublandlord's and Landlord's prior written consent, which consent of Sublandlord shall not be unreasonably withheld or delayed. Subtenant shall be responsible for the removal of any additional improvements made by Subtenant unless determined otherwise by Landlord.

11. Assumption of Obligations of Base Lease. Subtenant covenants and agrees that it shall assume and comply with all of the terms and provisions of the Base Lease that are to be performed or observed by Sublandlord as tenant under the Base Lease during the Sublease Term, to the extent such provisions pertain to the Subleased Premises only, including but not limited to Sublandlord's indemnification and insurance obligations set forth in **Article 9** of the Base Lease, or otherwise. With respect to the insurance obligations assumed by Subtenant for the benefit of Sublandlord, Subtenant further agrees to be bound to Sublandlord by all of the terms of the Base Lease and to assume toward Sublandlord and perform all of the obligations and responsibilities that Sublandlord, by the Base Lease, assumes toward the Landlord, to the extent such obligations and responsibilities pertain to the Subleased Premises only (except as expressly provided otherwise in this Sublease Agreement).

12. Sublandlord's Performance Under the Base Lease. Sublandlord agrees that it shall (a) remain liable for and shall pay directly to Landlord all of its monetary obligations under the Base Lease including, without limitation, the payment of Rent, except for any additional or special services and/or allowances requested by Subtenant including, without limitation, after hours air conditioning or heat, electric services, and the cost for reserved parking spaces if applicable under **Paragraph 33** below, which Subtenant shall reimburse to Sublandlord upon demand by Sublandlord, if payable by Sublandlord to Landlord and (b) use its commercially reasonable efforts to reasonably enforce Landlord's performance of Landlord's obligations under the terms of the Base Lease.

13. No Enlargement of Rights. To the extent Sublandlord has or is granted any rights to extend the term of the Base Lease or expand the Leased Premises pursuant to any renewal option, right of first refusal, or otherwise, or is granted any right to terminate the Base Lease prior to the expiration of the Base Lease Term, or is granted any rights with respect to the Building's monument sign, the same are expressly excluded from this Sublease Agreement and shall not pass to Subtenant.

14. Indemnification. Subject to the provisions of **Paragraph 18** below, and without regard to the policy limits of any insurance, Subtenant shall protect, indemnify, defend and hold harmless all Sublandlord and Landlord and their respective affiliates from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, losses, costs, fees and expenses, including without limitation reasonable counsel fees and court costs, to the maximum extent permitted by Law, imposed upon, asserted against or suffered or incurred by Sublandlord and/or Landlord (including their

respective affiliates) directly or indirectly by reason of any claim, suit or judgment obtained or brought by or on behalf of any person or persons against Sublandlord and/or Landlord (including their respective affiliates), for damage, loss or expense, which arise out of, are occasioned by, or are in any way attributable to or related to the following: (i) Subtenant's use or occupancy of the Subleased Premises; (ii) the conduct of Subtenant's business at the Subleased Premises; (iii) any activity, work or thing done or permitted by or on behalf of Subtenant or its agents, contractors or subtenants in or about the Subleased Premises; (iv) the condition of the Subleased Premises; (v) any breach or default in the performance of any obligation to be performed by Subtenant under the terms of this Sublease or arising from any act, neglect, fault or omission of Subtenant or Subtenant's representatives; or (vi) the Subleased Premises or any accident, injury to or death of any person or damage to any property howsoever caused in or on the Subleased Premises, except to the extent that any of the foregoing are directly caused by the gross negligence or willful misconduct of Sublandlord and/or Landlord.

Sublandlord shall protect, indemnify, defend and hold harmless Subtenant from and against any and all liabilities, obligations, claims, damages, penalties, causes of action, losses, costs, fees and expenses, including without limitation reasonable counsel fees and court costs, to the maximum extent permitted by Law, imposed upon, asserted against or suffered or incurred by Subtenant directly or indirectly by reason of any claim, suit or judgment obtained or brought by or on behalf of any person or persons against any Subtenant, for damage, loss or expense, which arise out of, are occasioned by, or are in any way attributable to or related to the gross negligence or willful misconduct of Sublandlord.

The provisions of this **Paragraph 14** shall survive the expiration or termination of this Sublease Agreement.

15. Assignment and Subletting. Subtenant shall not assign the Sublease or sublease all or any portion of the Subleased Premises unless it has received the written consent of Landlord and Sublandlord.

16. Default. The happening of any one, or more, of the following events shall be an "**Event of Default**" under this Sublease Agreement:

- (a) Subtenant fails or refuses to pay when due any installment of Base Rent, Additional Rent, or any other amounts due from Subtenant to Sublandlord when due hereunder, or within the time period prescribed in the Base Lease and such failure or refusal continues for more than ten (10) days after written notice from Sublandlord; *provided*, however, that Sublandlord shall not be obligated to provide such written notice more than two (2) times during any consecutive twelve (12) month period prior to such subsequent failure's becoming an Event of Default; or
- (b) Subtenant fails or refuses to perform or observe any other term, covenant, or provision of this Sublease or the Base Lease, and such failure or refusal continues beyond the time period prescribed herein or in the Base Lease; or
- (c) Any act or omission of Subtenant which constitutes or results in an Event of Default under the Base Lease; or
- (d) Subtenant's assignment of this Sublease Agreement or sublease of all or any portion of the Subleased Premises in violation of **Paragraph 15** above; or
- (e) Subtenant becomes bankrupt or insolvent or files any debtor proceedings or takes or has taken against it in any court, pursuant to any statute, either of the United States or of

any state, a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of Subtenant's property and such petition shall not be dismissed within thirty (30) days following such filing; or if Subtenant makes an assignment for the benefit of creditors, or petitions for or enters into an arrangement; or if Subtenant shall suffer this Sublease to be taken under any writ of execution.

Upon an Event of Default, Sublandlord may exercise all rights and remedies provided to Landlord related to the Subleased Premises under the Base Lease for a default thereunder and any and all rights and remedies available at law or in equity, including, but not limited to, declaring this Sublease Agreement terminated, and Sublandlord may immediately or at any time thereafter re-enter the Subleased Premises and remove all persons therefrom with or without legal process, and without prejudice to any of its other legal rights, and all claims for damages by reason of any re-entry or eviction proceedings or proceedings by way of sequestration or any other legal proceedings which Sublandlord may employ to recover unpaid rents or possession of the Subleased Premises are expressly waived. In addition, without limiting the foregoing, in the event Sublandlord reasonably believes that Subtenant's failure to cure a breach under subparagraph (b) above shall cause a default by Sublandlord to occur under the Base Lease, Sublandlord shall specifically have the right, upon giving Subtenant not less than five (5) days prior written notice thereof (or such lesser time as may be required in the event of an emergency or to avoid the occurrence of an event of default under the Base Lease), to cure such breach or default and be reimbursed by Subtenant for all reasonable expenses actually incurred by Sublandlord in connection therewith upon demand and presentation of invoices therefor. All rights and remedies of Sublandlord herein enumerated shall be cumulative and none shall exclude any other right or remedy allowed by law or in equity, and said rights and remedies may be exercised and enforced concurrently and whenever and as often as occasion therefor arises. Subtenant further agrees that any notice of default received by Subtenant from Landlord shall be deemed a notice from Sublandlord and the time periods specified herein shall begin to run from the earliest date of notice received by Subtenant.

17. Relationship of Parties. In the event Subtenant has any matters which would normally be discussed with a landlord, Subtenant agrees to contact Sublandlord directly to address such matters. Sublandlord agrees to use commercially reasonable efforts to enforce Landlord's obligations under the Base Lease in the event of a default by Landlord thereunder, or if Subtenant requests in writing Sublandlord's support in acquiring services from Landlord pursuant to the Base Lease, provided that Sublandlord shall not be required to incur any costs or expenses or pursue any legal action against the Landlord. Subtenant also acknowledges that all of the covenants and obligations of Sublandlord hereunder are expressly subject to the terms and conditions of the Base Lease.

18. Waiver of Subrogation. Notwithstanding anything in this Sublease Agreement to the contrary, Sublandlord and Subtenant each hereby waives any and all rights of recovery, claim, action or cause of action against the other, its officers, directors, members, employees, or agents for any damage to their respective property located in the Subleased Premises arising from any risk required to be covered hereunder or under the Base Lease by fire and extended coverage insurance, regardless of cause or origin, including the negligence of Sublandlord, Subtenant and such parties' respective officers, directors, members, employees, or agents, and each covenants that no insurer or other third party shall hold any right of subrogation against such other party or account thereof. The provisions of this **Paragraph 18** shall survive the expiration or termination of this Sublease Agreement.

19. Brokers' Commissions. Subtenant acknowledges that CBRE, Inc. (Sanford Criner, Graham Horton and Mark Reilly) ("**Sublandlord's Broker**") is representing the Sublandlord regarding

this Sublease Agreement. Additionally, Subtenant warrants and represents that it has not dealt with any real estate broker, agent and/or salesperson in connection with the negotiation or execution of this Sublease Agreement on its behalf other than Jackson & Cooksey, Inc. d.b.a. Newmark (Reggie Beavan, John Luck and Audrey Selber) ("**Subtenant's Broker**"). Sublandlord shall pay to Subtenant's Broker and Sublandlord's Broker a commission pursuant to separate written agreements between such parties. Subtenant agrees to defend, indemnify and hold harmless the Sublandlord from and against any and all costs, expenses, attorneys' fees or liability for any compensation, commission and charges claimed by any other real estate broker, agent and/or salesperson due to acts of Subtenant or Subtenant's representatives. Sublandlord agrees to defend, indemnify and hold harmless the Subtenant from and against any and all costs, expenses, attorneys' fees or liability for any compensation, commission and charges claimed by any other real estate broker, agent and/or salesperson due to acts of Sublandlord or Sublandlord's representatives.

20. Care of the Subleased Premises by Subtenant. Subtenant covenants and agrees that it shall maintain and repair the Subleased Premises in the manner required of Sublandlord under the Base Lease and shall not commit or allow any waste to be committed on any portion of the Subleased Premises. At the expiration or earlier termination of this Sublease Agreement, Subtenant shall deliver up the Subleased Premises to Sublandlord in "broom clean" condition and in good condition and repair, reasonable wear and tear excepted and in the condition required under the Base Lease and this Sublease Agreement. If Subtenant performs any work or makes any alterations to the Subleased Premises, Subtenant shall, if required by Sublandlord or Landlord, bring the Subleased Premises back to the condition the Subleased Premises were delivered to Subtenant, reasonable wear and tear excepted.

21. Incorporation of Additional Base Lease Terms. To the extent not otherwise inconsistent with the agreements and understandings expressed in this Sublease Agreement, all the terms, provisions, covenants and conditions of the Base Lease are hereby incorporated into this Sublease Agreement by reference as fully as if completely reproduced herein, and;

(a) In any case where Landlord reserves the right to enter the Subleased Premises, said right shall inure to the benefit of Sublandlord as well as to Landlord;

(b) Subtenant hereby expressly assumes and agrees (i) to perform all of the terms, obligations, covenants and conditions to be performed by Sublandlord pursuant to the Base Lease, with respect to the Subleased Premises, and (ii) not to do, suffer or permit anything to be done which would result in an Event of Default under the Base Lease or cause the Base Lease to be terminated or forfeited;

(c) Sublandlord agrees to promptly provide Subtenant copies of all notices which Sublandlord may receive from Landlord which affect the Subleased Premises;

(d) Subtenant agrees to promptly provide Sublandlord copies of all notices which Subtenant may receive from Landlord which affect the Subleased Premises; and

(e) In all cases where Landlord is to be indemnified by Sublandlord under the Base Lease against certain damages, costs and expenses, Subtenant shall indemnify Sublandlord for the same as if the indemnity provisions under the Base Lease applied to Subtenant and Sublandlord instead of Sublandlord and Landlord.

22. Notice. Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party or any other person hereunder shall be in writing and either served personally or sent by certified mail, return receipt requested addressed to the other party at the address set forth below. Notice shall be deemed delivered upon depositing same with the United States Postal Service if mailed as provided in this paragraph or on the date actually received if made by personal delivery.

If to Sublandlord: FMC Technologies, Inc.
13460 Lockwood Road,
Houston, Texas, 77044
Attention: Sean McBeth

With a copy to: JLL
1400 Post Oak Blvd., Suite 1100
Houston, Texas, 77056
Attention: Mark Reilly

If to Subtenant
Prior to Sublease Commencement Date: ENGlobal U.S., Inc.
654 North Sam Houston Parkway East, Suite 400
Houston, Texas 77060
Attention: Roger Westerlind

After Sublease Commencement Date: The Subleased Premises

Either party may change its address for notice by notice to the other party as provided herein.

23. Governing Law. This Sublease Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

24. Severability. In the event that any one or more of the provisions contained in this Sublease Agreement shall be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof; and this Sublease Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

25. Attorneys' Fees & Costs. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Sublease Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs from the other party.

26. Amendments. This Sublease Agreement may not be altered, changed or amended, except by an instrument in writing executed by Sublandlord and Subtenant.

27.(a) **NO REPRESENTATIONS OR WARRANTIES. EXCEPT AS OTHERWISE EXPRESSLY AND SPECIFICALLY PROVIDED IN THIS SUBLEASE AGREEMENT, SUBTENANT HEREBY EXPRESSLY ACKNOWLEDGES AND AGREES THAT SUBLANDLORD HAS MADE NO REPRESENTATIONS OR WARRANTIES TO SUBTENANT AS TO THE USE OR CONDITION OF THE SUBLEASED PREMISES OR THE FF&E OR AS TO THE ADEQUACY THEREOF, EITHER EXPRESS, IMPLIED, OR BY OPERATION OF LAW, AND SUBLANDLORD EXPRESSLY DISCLAIMS ANY**

REPRESENTATION OR WARRANTY THAT THE SUBLEASED PREMISES ARE SUITABLE FOR SUBTENANT'S INTENDED COMMERCIAL PURPOSE OR ANY OTHER IMPLIED WARRANTY REGARDING THE SUBLEASED PREMISES. IN ADDITION, EXCEPT AS HEREIN EXPRESSLY PROVIDED, SUBTENANT EXPRESSLY ACKNOWLEDGES AND AGREES THAT SUBTENANT'S OBLIGATION TO PAY BASE RENT, ADDITIONAL RENT, OR ANY OTHER SUMS DUE HEREUNDER IS NOT DEPENDENT UPON THE CONDITION OF THE SUBLEASED PREMISES OR THE PERFORMANCE BY SUBLANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER (OR BY LANDLORD OF ITS DUTIES OR OBLIGATIONS UNDER THE BASE LEASE), AND THAT SUBTENANT WILL CONTINUE TO PAY BASE RENT, ADDITIONAL RENT AND ALL OTHER SUMS PROVIDED FOR HEREIN TO BE PAID BY SUBTENANT WITHOUT ABATEMENT, SET-OFF, OR DEDUCTION, NOTWITHSTANDING ANY BREACH BY SUBLANDLORD OF ITS DUTIES OR OBLIGATIONS HEREUNDER (OR BY LANDLORD OF ITS DUTIES OR OBLIGATIONS UNDER THE BASE LEASE), EXPRESS OR IMPLIED. SUBLANDLORD AND SUBTENANT EXPRESSLY AGREE THAT THERE ARE AND SHALL BE NO IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER KIND ARISING OUT OF THIS SUBLEASE AND THAT ALL EXPRESS OR IMPLIED WARRANTIES IN CONNECTION HEREWITH ARE EXPRESSLY DISCLAIMED.

27.(b) LIMIT OF LIABILITY. TO THE FULLEST EXTENT PERMITTED BY LAW, AND NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBLEASE AGREEMENT, NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL, PUNITIVE, EXEMPLARY OR ANY SIMILAR TYPE OF DAMAGES.

28. Quiet Enjoyment. Provided Subtenant has fully and timely performed all of the terms, covenants, agreements and conditions of this Sublease Agreement, Subtenant shall peaceably and quietly hold and enjoy the Subleased Premises against Sublandlord and all persons claiming by, through or under Sublandlord, for the Sublease Term herein described, subject to the provisions and conditions of this Sublease Agreement and of the Base Lease.

29. Entire Agreement. This Sublease Agreement constitutes the entire agreement between Subtenant and Sublandlord and supersedes all prior agreements (whether written or otherwise) which may exist between the parties with regard to the lease and use of the Subleased Premises by Subtenant.

30. Non-Waiver by Either Party. Failure by either party to complain of any action, non-action or default of the other party shall not constitute a waiver of any aggrieved party's rights hereunder. Waiver by either party of any right for any default of the other party shall not constitute a waiver of any right for either a subsequent default of the same obligation or for any other default, past, present or future.

31. Counterparts. This Sublease Agreement may be executed concurrently in one or more counterparts, including via electronic mail or .pdf, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

32. Consent by Landlord. This Sublease Agreement shall be effective only upon consent hereto by Landlord, or its duly authorized agent, as evidenced by Landlord's execution and delivery of a Lessor's Consent to Sublease substantially in the form attached hereto as Exhibit D.

33. Parking. Sublandlord licenses to Subtenant its right, under the Base Lease, to use, at no cost to Subtenant, up to four (4) unreserved parking spaces per 1,000 square feet of Net Rentable Area comprising the Subleased Premises in the Building's parking garage. Subtenant shall have the right to convert up to twenty percent (20%) of such spaces to reserved parking spaces. If any of such parking spaces are converted to reserved parking spaces, Subtenant agrees to pay any parking charges associated therewith directly to Sublandlord. Such license and the parking of any vehicles by Subtenant and any of its employees in the building's garage shall be subject to and in accordance with the provisions of the Base Lease relating to parking. All unreserved and reserved parking costs shall be abated for the Sublease Term.

34. Access to Building. Upon the Sublease Commencement Date, Sublandlord shall furnish to Subtenant up to two (2) keys per door within the Subleased Premises at no charge and one building access card per employee at the Sublease Commencement Date. Any replacement keys or access cards requested by Subtenant shall be provided at Subtenant's cost which shall be the greater of \$5 or Sublandlord's actual cost therefor. All such keys and access cards shall at all times remain the property of Sublandlord. No additional locks shall be allowed on any door of the Subleased Premises without Sublandlord's permission, and Subtenant shall not make or permit to be made any duplicate keys or access cards. Upon termination of this Sublease Agreement, Subtenant shall surrender to Sublandlord all keys to the Subleased Premises, all building access cards and all parking access cards (provide above), and give to Sublandlord the explanation of the combination of all locks for safes, safe cabinets and vault doors, if any, in the Subleased Premises. Sublandlord shall not be liable to Subtenant for losses due to theft, burglary, or for damages done by unauthorized persons on the Subleased Premises as a result of the proper issuance of such keys and access cards.

35. Signage. Subject to the approval of Landlord and Sublandlord, Subtenant shall be permitted, at Subtenant's sole cost and expense, to install its identity signage, logos, and suite number on the entrance doors to the Subleased Premises, provided that such signage and logos conform to the Building standards and the terms of the Base Lease. Subtenant shall also be permitted to utilize the electronic building directory in the main lobby of the Building. At the expiration or earlier termination of the Sublease Term, Subtenant shall, at Subtenant's sole cost and expense, remove any signage it has installed, including the Lobby Signage as defined in Section 37 below, and repair all damage caused by such removal. Sublandlord agrees not to unreasonably block Subtenant from procuring any building signage opportunities with Landlord.

36. Relocation. Intentionally deleted.

37. Lobby Reception Area. Sublandlord agrees to allow Subtenant reasonable access to and reasonable use of Sublandlord's existing reception area located in the Building lobby across from the deli ("Lobby Reception") during the Term. Provided that Sublandlord maintains a presence in the Lobby Reception, Sublandlord agrees to have its personnel check in Subtenant's visitors and notify the appropriate Subtenant contact (which shall be previously provided by Subtenant) during the Term. Subject to Sublandlord and Landlord's prior consent, Sublandlord further agrees to grant Subtenant the right, at Subtenant's sole cost and expense, to place their sign, placard, or logo frosting ("Lobby Signage") either on the Lobby Reception glass or in another mutually acceptable location, as reasonably determined by Sublandlord and approved by Landlord, to serve as pathway signage for Subtenant's visitors to check in, and such Lobby Signage shall be in compliance with Building standards and conform to the terms of the Base Lease. If at any point during the Term Sublandlord determines it will vacate and shut down the Lobby Reception, Sublandlord shall first give thirty (30) days' prior notice to Subtenant of such intent, which notice shall also include, if determined by Sublandlord at their sole discretion, the

termination of Subtenant's rights to Lobby Signage. In the event Subtenant's rights to Lobby Signage are terminated, Subtenant, at its sole cost and expense, shall remove and make any necessary repairs upon the expiration of such thirty (30) day notice period. Sublandlord agrees to meet with Subtenant in order to determine a mutually acceptable plan regarding the reception area going forward. Sublandlord shall have no obligation to provide Subtenant with any staffing or other reception services within the Lobby Reception at any point during the Term.

38. Right of First Refusal. Subtenant shall have a continuous right of first refusal ("ROFR") on the 10th floor in the Building ("ROFR Space"). Sublandlord shall inform Subtenant of the material business terms of a bona fide, fully negotiated third party tenant letter ("Third Party Offer") and Subtenant shall have seven (7) business days from receipt of such information to exercise its ROFR. If the Third Party Offer contains area in addition to the ROFR Space, Subtenant shall be required to lease all such area contained in the Third Party Offer. If Subtenant elects to exercise its ROFR, the area under the Third Party Offer shall become part of the Subleased Premises under all the same terms and conditions as the Third Party Offer and Subtenant and Sublandlord shall execute an amendment to this Sublease reflecting such terms. If Subtenant elects not to exercise its ROFR (or fails to respond within such 7 business day period), Sublandlord shall have a period of nine (9) months to enter into a sublease agreement with such proposed party. Should Sublandlord not enter into a sublease agreement with the proposed party, Sublandlord shall again be required to give Subtenant notice of any future offer after a period of nine (9) months following Subtenant's failure to exercise its ROFR.

[Remainder of page intentionally left blank.]

EXECUTED effective as of the date first above written.

SUBLANDLORD:

FMC TECHNOLOGIES, INC.

By: Sean McBeth
Name: Sean McBeth
Title: Real Estate Senior Manager

SUBTENANT:

ENGLOBAL U.S., INC.

By: R. W. West
Name: Roger West
Title: President

[Signature page to Sublease Agreement.]

EXHIBIT A

Base Lease

See Attached.

EXHIBIT B

Subleased Premises



Legend:

- NEW PARTITION
- - - EXISTING PARTITION
- == DOOR



ENGlobal - SP1R2
Energy Tower II, Level 11
Houston, TX



NOT FOR CONSTRUCTION

April 20, 2021
Scale: 1/16" = 1'-0"

EXHIBIT C

Itemization of FF&E

See Attached.

FURNITURE - IT Inventory - FMC Technip			
CURRENT COUNT			
DESK	48		
OFFICE CHAIR	48		
VISITOR CHAIR	52		
BOOKSHELF	46		
WOOD FILE CABINET-SMALL	2		
WHITE BOARD	22		
SMART BOARD	6		
CUBE PEDS	52		
CUBE FILE CABINET	52		
CUBE DESK	52		
CUBE CHAIR	52		
SMALL CONFERENCE TABLE	7		
MEDIUM CONFERENCE TABLE	5		
LARGE CONFERENCE TABLE	2		
CONFERENCE CHAIRS	67		
VIDEO CONFERENCE ROOM	3		
SMALL CREDENZA	4		
LARGE CREDENZA	2		
Offices-48			
Cubes-52			
Conference Rooms-7			
Telepresence Room-1			
File Room 1			

INVENTORY BY OFFICE/CUBE					
CONFERENCE ROOM	TABLE	CHAIRS	IT EQUIPMENT	MISC. ITEMS	NOTES
11.68	1 Large Conference Table	16 Chairs	2 Screens/Video Conf set up	1 Credenza/2 WB	
11.33	1 Conference Table	5 Chairs	Teams Monitors	White Board/Small Credenza	
11.60	1 Small Conference Table	2 Chairs	Teams Monitor / Video Conf. Equipment	White Board	
11.61	1 Large Conference Table	5 Chairs	Video Conf. Equipment	White Board	
11.10	1 Conference Table	10 Chairs	Smart Board	White Board/Small Credenza	
11.01	1 Small Conference Table	8 Chairs	Smart Board	Small Credenza	
11.45	1 Small Conference Table	5 Chairs		White Board	
OFFICE	DESK	CHAIR	BOOKSHELF	VISITOR CHAIR	SMART BOARD
11.63	1	1	1	1	
11.65	1	1	1	1	
11.66	1	1	1	1	
11.47	1	1	1	1	WHITE BOARD
11.46	1	1	1	2	Conf. Table/Chairs
11.44	1	1	1	2	1
11.43	1	1	1	1	1 Table / 3 Chairs
11.42	1	1	1	2	1
11.41	1	1	1	1	1
11.40	1	1	1	1	1 Table/2 Chairs
11.39	1	1	1	1	1 Table / 3 Chairs
11.38	1	1	1	2	1
11.37	1	1	1	1	1
11.36	1	1	1	1	1
11.35	1	1	1	1	1 Table / 3 Chairs
11.34	1	1	1	1	1
11.32	1	1	1	1	1
11.31	1	1	1	1	1
11.30	1	1	1	1	1
11.29	1	1	1	1	1
11.28	1	1	1	2	1
11.27	1	1	1	1	1 Table / 3 Chairs
11.26	1	1	1	1	1
11.25	1	1	1	1	1
11.24	1	1	1	2	1 Metal File Cabinet
11.23	1	1	1	1	
11.22	1	1	1	1	
11.21	1	1	1	1	1
11.20	1	1	1	1	1
11.19	1	1	1	1	1
11.57	1	1	1	1	1 Small File Cabinet
11.56	1	1	1	1	
11.55	1	1	1	1	1 Small File Cabinet
11.54	1	1	1	1	
11.53	1	1	1	1	
11.52	1	1	1	1	1 Small File Cabinet
11.51	1	1	1	1	1
11.50	1	1	1	1	1
11.12	1	1	1	1	2
11.11	1	1	1	1	1
11.09	1	1	1	1	
11.08	1	1	1	1	
11.07	1	1	1	1	

11.18-04	1	1	1	1				
11.18-05	1	1	1	1				
11.18-06	1	1	1	1				
11.48-01	1	1	1	1				
11.48-02	1	1	1	1				
11.48-03	1	1	1	1				
11.49-01	1	1	1	1				
11.49-02	1	1	1	1				
11.49-03	1	1	1	1				
11.49-04	1	1	1	1				

EXHIBIT D

Form of Lessor's Consent to Sublease

See Attached.

**ENGLOBAL CORPORATION
2021 LONG TERM INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK AWARD FOR DIRECTORS**

You have been granted a right to acquire restricted Stock of the Company (the "Restricted Stock Award"), subject to the terms and conditions of this Notice of Restricted Stock Award for Directors (the "Notice"), the ENGlobal Corporation 2021 Long Term Incentive Plan (the "Plan"), and the attached Restricted Stock Award Agreement (the "Award Agreement"). Unless otherwise defined in this Notice or the Award Agreement, all terms used in this Notice that are defined in the Plan shall have the meaning as defined in the Plan.

Name and Address of Participant:

Total Number of Shares of Restricted Stock Granted (the "Shares"): _____

Purchase Price Per Share: _____

Fair Market Value Per Share: _____

"Date of Grant": _____

Vesting Schedule: _____

Subject to the Participant's continuous Service and other limitations set forth in this Notice, the Award Agreement and the Plan, the Shares shall vest _____. In accordance with Section 4 of the Award Agreement, all Shares that are unvested as of the date the Participant ceases Service as a Director shall immediately and automatically be forfeited and returned to the Company.

In the event of a Change in Control, the Shares shall automatically become fully vested immediately prior to the specified effective date of such Change of Control, subject to the Participant's continued Service as a Director from the Date of Grant through the date immediately prior to the specified effective date of a Change in Control.

1

By your signature and the signature of the Company's representative, you and the Company agree that the Shares granted are governed by the terms and conditions of this Notice, the Award Agreement, and the Plan, all of which are attached to and made a part of this document.

ENGLOBAL CORPORATION

By: _____

Mark A. Hess
Chief Executive Officer

Dated: _____

PARTICIPANT ACKNOWLEDGMENT

The Participant acknowledges receipt of a copy of the Award Agreement and the Plan, and represents that he or she is familiar with the provisions thereof, and hereby accepts the Shares subject to all of the terms and provisions hereof and thereof. The Participant has reviewed this Notice, the Award Agreement and the Plan in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Notice, and fully understands all provisions of this Notice, the Award Agreement and the Plan. The Participant hereby agrees that all questions of interpretation and administration relating to this Notice, the Award Agreement and the Plan shall be resolved by the Committee. The Participant further agrees to the venue selection in accordance with Section 16 of the Award Agreement.

Signature

Print Name

Dated

2

**ENGLOBAL CORPORATION
2021 LONG TERM INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT**

1. Grant of Shares. Subject to the terms and provisions of the ENGlobal Corporation 2021 Long Term Incentive Plan (the "Plan"), the Notice of Restricted Stock Award for Directors (the "Notice"), and this Restricted Stock Award Agreement (the "Award Agreement"), the Company hereby grants to the Participant named in the Notice, the Total Number of Shares of Restricted Stock Granted (the "Shares") as provided in the Notice. Terms used in this Award Agreement and not defined herein shall have the meaning of such terms in the Notice, and if not otherwise defined, shall have the meaning of such terms as defined in the Plan.

2. Purchase Price Per Share. If the granted Shares are subject to a purchase price, as set forth in the Notice, the Participant shall have the right to purchase such Shares at the specified purchase price in accordance with such procedures as may be established by the Committee from time to time.

3. Vesting. The Shares shall vest in accordance with the Vesting Schedule set forth in the Notice and in connection with a Change in Control as provided in the Notice.

4. Risk of Forfeiture.

4.1 General Rule. The Shares shall initially be subject to a risk of forfeiture. The Participant may not transfer, assign, encumber, or otherwise dispose of any Shares subject to a risk of forfeiture.

4.2 Lapse of Risk of Forfeiture. The risk of forfeiture shall lapse as the Participant vests in the Shares in accordance with the Vesting Schedule and in connection with a Change in Control as provided in the Notice.

4.3 Forfeiture of Shares. The Shares unvested and subject to a risk of forfeiture shall automatically be forfeited and immediately returned to the Company upon the Participant's cessation of Service as a Director.

5. Transfer Restrictions. The Shares issued to the Participant hereunder may not be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the Participant prior to the date when the Shares become vested pursuant to the Vesting Schedule. Any attempt to transfer Shares in violation of this Section 5 shall be null and void and shall be disregarded.

6. Issuance of Shares. The Company shall take the actions as it determines necessary in its sole discretion to cause the Shares to be issued subject to the forfeiture provisions and other requirements as the Committee determines necessary. Shares awarded hereunder may be evidenced in a manner as the Committee shall deem appropriate, including without limitation, book entry, Shares issued in the name of the Participant and held, together with a Stock power endorsed in blank, by the Committee or Company (or their delegates), or in trust or in escrow pursuant to an agreement satisfactory to the Committee, as determined by the Committee, until such time as the restrictions on transfer have expired or the Committee may provide for the transfer of the Shares to a transfer agent on behalf of the

7. Adjustments. The Shares subject to the Notice and this Award Agreement shall be adjusted as provided in Section 4.2 of the Plan.

8. Dividends Distributions. The Company shall disburse to the Participant all Regular Dividends with respect to the Shares, whether vested or otherwise, less any applicable withholding obligations. For purposes of this Section 8, the term Regular Dividends means any distribution of cash or property other than securities that is considered to be received as a result of a sale or exchange of the Shares for purposes of the Code.

9. Taxes.

9.1 Tax Liability. The Participant is ultimately liable and responsible for all taxes owed by the Participant in connection with the grant of the Shares, regardless of any action the Company or any Affiliate takes with respect to any tax withholding obligations that arise in connection with the grant of such Shares. Neither the Company nor any Affiliate makes any representation or undertaking regarding the treatment of any tax consequences or tax withholding in connection with the grant, vesting or the subsequent sale of Shares. The Company and its Affiliates do not commit and are under no obligation to structure the grant of the Shares to reduce or eliminate the Participant's tax liability.

9.2 Payment of Withholding Taxes. Prior to any event in connection with the Shares (e.g., vesting) that the Company determines may result in any tax withholding obligation, whether United States federal, state, local or non-U.S., including any employment tax obligation, the Participant must arrange for the satisfaction of the minimum (or such other amount to the extent permitted under the terms of the Plan) amount of such tax withholding obligation in accordance with Section 10 of the Plan, but only to the extent as permitted by the Committee in its sole and absolute discretion.

10. Stop-Transfer Notices. In order to ensure compliance with the restrictions on transfer set forth in this Award Agreement, the Notice or the Plan, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

11. Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Award Agreement or (ii) treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

12. Restrictive Legends. The certificates evidencing the Shares shall bear legends substantially equivalent to the following:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED BY THE TERMS OF THAT CERTAIN STOCK AWARD AGREEMENT BETWEEN ENGLOBAL CORPORATION (THE "COMPANY") AND THE NAMED STOCKHOLDER. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH SUCH AWARD AGREEMENT, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

13. Entire Agreement/Governing Law. The Notice, this Award Agreement, and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations, or understandings (whether oral or written and whether express or implied) that relate to the subject matter hereof. Subject to Section 16 hereof, these agreements and all related matters are governed by the laws of the State of Nevada without giving effect to any choice of law rule that would cause the application of the laws of a different state. If any provision of the Notice, this Award Agreement or the Plan be determined to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

14. Construction. The captions used in the Notice and this Award Agreement are inserted for convenience and shall not be deemed a part of the Shares for construction or interpretation. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

15. Administration and Interpretation. Any question or dispute regarding the administration or interpretation of the Notice, this Award Agreement or the Plan shall be submitted by the Participant or by the Company to the Committee for its exclusive determination. The resolution of such question or dispute by the Committee shall be final and binding on all Persons.

16. Venue. The Company, the Participant and the Participant's assignees agree that any suit, action or proceeding arising out of or related to the Notice, this Award Agreement or the Plan shall be brought in the United States District Court for the Southern District of Texas (or should such court lack jurisdiction to hear such action, suit or proceeding, in a Texas state court in the County of Harris) and that all parties shall submit to the jurisdiction of such court. The parties irrevocably waive, to the fullest extent permitted by law, any objection the party may have to the laying of venue for any such suit, action or proceeding brought in such court. If any one or more provisions of this Section 16 shall for any reason be held invalid or unenforceable, it is the specific intent of the parties that such provisions shall be modified to the minimum extent necessary to make it or its application valid and enforceable.

17. Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, upon deposit for delivery by an internationally recognized express mail courier service or upon deposit in the United States mail by certified mail (if the parties are within the United States), with postage and fees prepaid, addressed to the other party at its address as shown in these instruments, or to such other address as such party may designate in writing from time to time to the other party.

18. Section 83(b) Election. The Participant may make an election under Code Section 83(b) (a "Section 83(b) Election") with respect to the Shares. Any such election must be made within 30 days after the Date of Grant. If the Participant elects to make a Section 83(b) Election, the Participant shall provide the Company with a copy of an executed version and satisfactory evidence of the filing of the executed Section 83(b) Election with the US Internal Revenue Service. The Participant agrees to assume full responsibility for ensuring that the Section 83(b) Election is actually and timely filed with the US Internal Revenue Service and for all tax consequences resulting from the Section 83(b) Election.

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