WESSEL & COMPANY
ACCOUNTANTS & ADVISORS

Annual Tax Update & Client Appreciation

November 24, 2026





Opening Remarks

Joel C. Valentine, CPA, CM&AA, CVA, CGMA

President & CEO

WESSEL & COMPANY

ACCOUNTANTS & ADVISORS



Master of Ceremonies

Dominic Perry, CPA

Office Managing Partner

WESSEL & COMPANY

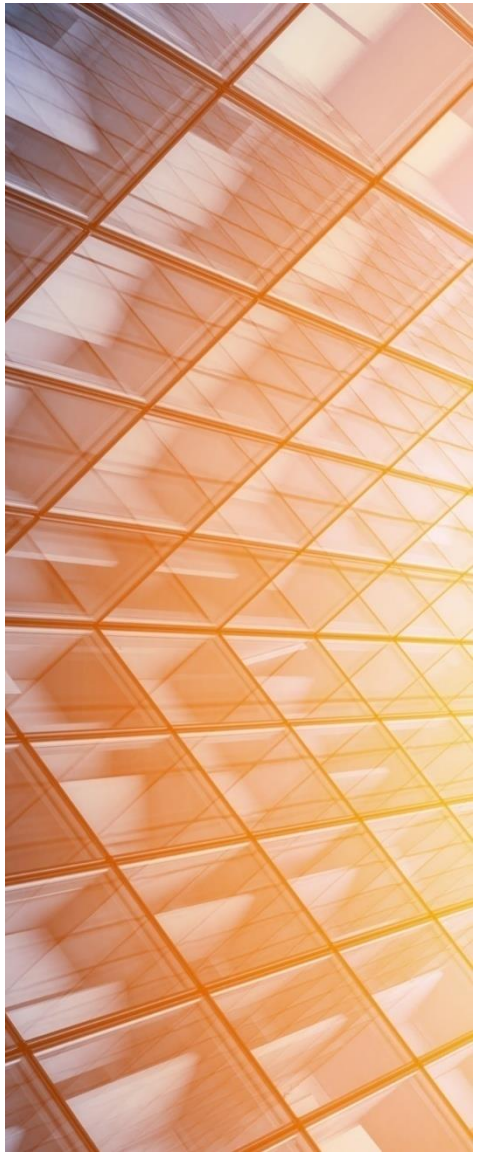
ACCOUNTANTS & ADVISORS

Disclaimer

The materials presented are for informational purposes only and not for the purpose of providing tax or legal advice.

It is not designed to be, and should not be used as, the sole source of information when analyzing and resolving a business issue.

You should contact your accountant or attorney to obtain advice with respect to any particular issue or problem.





Cybersecurity in 2027

Ransomware, AI, and five decisions every business leader should make.

Joseph Harford, Ph.D., CSDS **I** Founder & President, *Reclamere*

Could we operate for 72 hours without our core systems?

Payroll? Customers? Banking?



Ransomware Is a Business Interruption

The Scenario

A company arrives Monday morning to encrypted files, inaccessible finance systems, and a ransom demand on every screen.

What happens in the first hour?

- **Who makes decisions** — and with what authority?
- **Whom do you call** — legal, insurer, FBI, vendor?
- **How do you communicate** — if email is down?
- **How do you serve customers** — without your systems?

Five decisions for 2027

01

Know What Matters

Identify critical systems and data

02

Control Access

Lock down every entrance

03

Prepare for Ransomware

Decide before the demand arrives

04

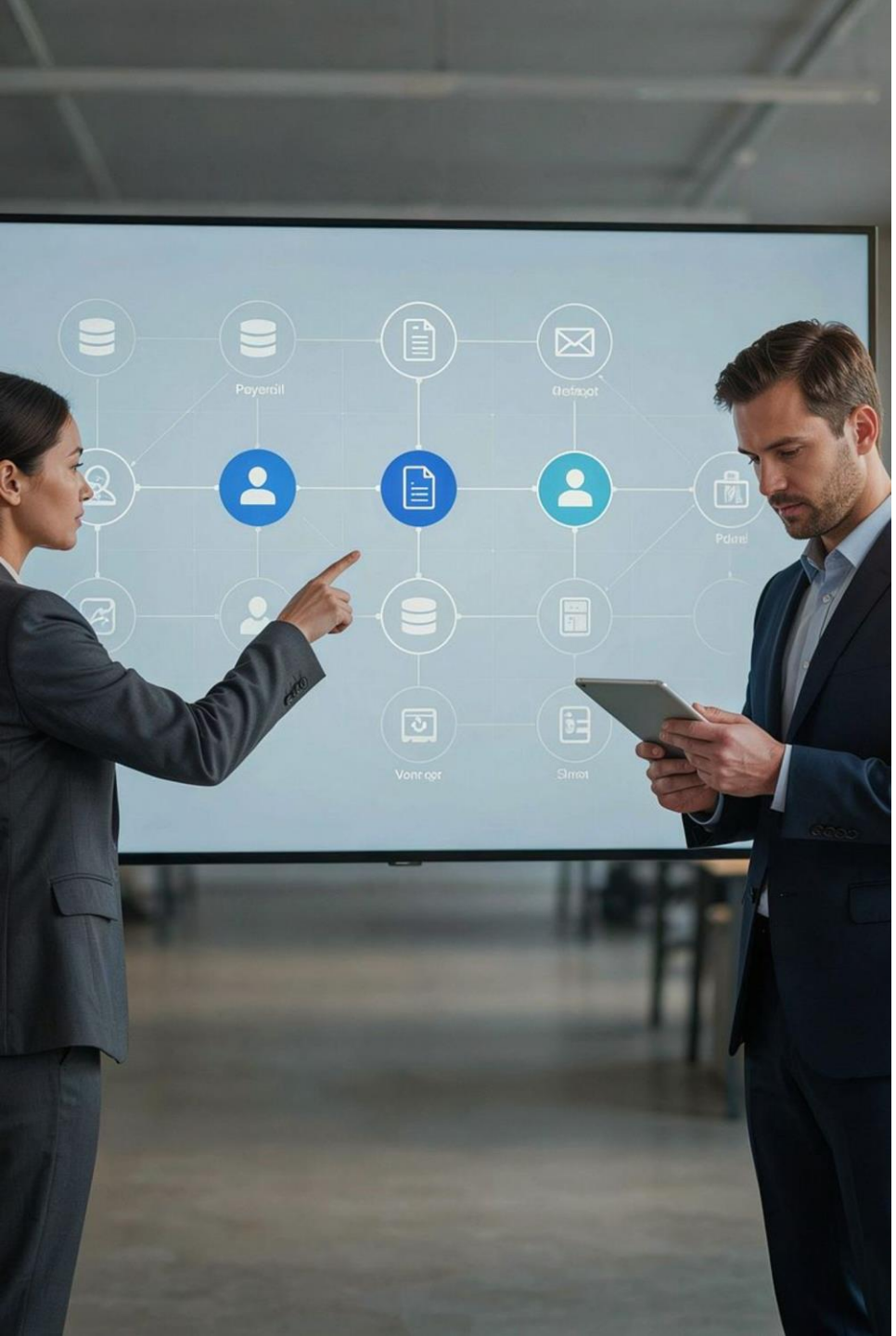
Test Recovery

Prove your backups actually work

05

Govern AI & Vendors

Put guardrails around your exposure



DECISION 1 OF 5

Know What Must Keep Running

Map your critical processes, systems, data, and third-party dependencies. Then define how long each can be unavailable before the business suffers real harm.

Ask yourself:

- What breaks first if email goes down?
- Can payroll run without your core HR platform?
- How long can customers wait if their portal is inaccessible?
- Which vendors are silent single points of failure?

DECISION 2 OF 5

Lock Down the Easy Entrances

Most breaches exploit weak credentials or excessive access, not sophisticated exploits. Closing these gaps is the highest-leverage investment you can make.



Require Strong Authentication

Enforce multi-factor authentication across all systems, especially email and financial platforms.



Review Privileged Access

Audit who has admin-level rights. Limit access to only what each role genuinely requires.



Remove Access Immediately

When employees leave, revoke credentials the same day — not at the next IT cycle.



Train Staff to Verify

Social engineering works. Teach teams to independently confirm unusual financial or wire-transfer requests.

DECISION 3 OF 5

Decide Before the Ransom Demand

The worst time to build your incident response plan is after the attack has started. Organizations that survive ransomware have made the critical decisions in advance.

Incident Response Plan

A documented, tested playbook — not a folder no one has read.

Outside Contacts Pre-Identified

Legal counsel, cyber insurer, FBI contact, and IR vendor on speed dial.

Clear Decision Rights

Who has authority to authorize payment? To take systems offline? To notify clients?

Communications Process

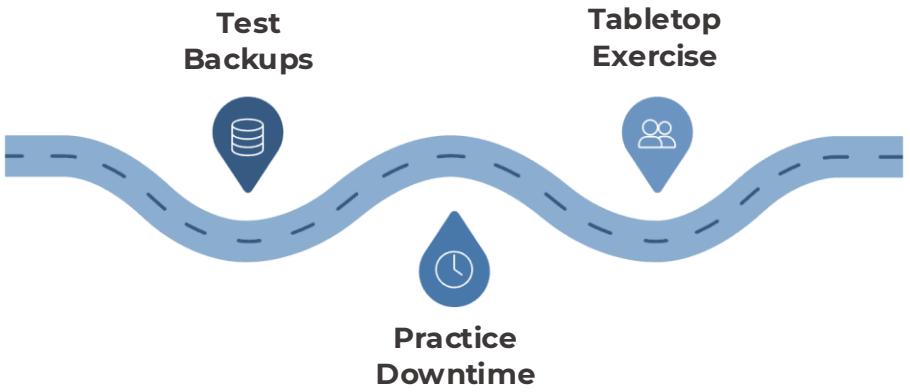
How will leadership communicate if email and phones are compromised?



DECISION 4 OF 5

Prove You Can Recover

Having backups is not the same as being able to restore. Recovery capability must be **tested**, not assumed. Most organizations discover gaps during the incident, not before it. Know your recovery sequence and priorities and practice operating in a degraded or manual state.



⚠ When was the last time your leadership team practiced a cyber shutdown scenario?

DECISION 5 OF 5

Put Guardrails Around AI and Vendors

AI adoption is accelerating inside your organization, with or without your approval. Shadow AI use and unvetted third-party tools are creating invisible exposure right now.

Know Where AI Is Being Used

Map every tool employees are using to process business or client information, approved or not.

Define What Can Be Entered

Establish a clear policy on what data types are permitted in AI tools and enforce it.

Maintain an Approved Tool List

Publish which AI platforms are sanctioned. Make unapproved use a documented risk violation.

Own Third-Party Risk

Assign a named owner who reviews vendor security posture and contractual data obligations.

⚠ Would you know if sensitive client data was being entered into an unapproved AI tool today?

The 2027 Readiness Challenge

Preparedness starts with knowing what you would do, **before you have to do it.** Use this checklist to assign ownership and close gaps in the first 30 days of 2027.

1. **Critical operations**
2. **Identity and access**
3. **Incident decisions**
4. **Recovery and rehearsal**
5. **AI and third-party oversight**

Scan to view full checklist -

Assign a named owner to each item. Review progress within 30 days.

Thank You!

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Founder & President, Reclamere
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Wessel & Company -
Status of the M&A Markets &
Maximizing the Value of Your Business

November 2026

Who you came to see….

BDO Capital Advisors – Biography Spotlight



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VALENTINA A. MIDURA

Senior Managing Director

EXPERIENCE

Ms. Midura is a Co-Founder and Senior Managing Director at BDO Capital Advisors with more than 20 years of investment banking experience. Ms. Midura advises privately-held and family-owned businesses with transaction structures including leveraged recapitalizations, shareholder transitions, management buy-outs, corporate divestitures, capital raises and strategic advisory assignments. Ms. Midura has closed transactions in a variety of industry segments including Manufacturing & Distribution, Healthcare & Life Sciences, Business Services and Technology, Media & Telecom. Geographically, Ms. Midura is focused on managing BDO Capital's relationships and clientele along the Eastern Seaboard.

Prior to joining BDO Capital in 2002, Ms. Midura served as a Director at Andersen Global Corporate Finance, LLP, a middle market investment banking firm. While at Andersen, Ms. Midura was responsible for developing the firm's investment banking Products Group where she had a focus on clients within the Manufacturing and Distribution sectors. In addition, Ms. Midura was a key architect in the firm's Technology Group, developing its market strategy and contributing to the firm's growth across a variety of technology sectors including software, hardware and IT services.

INDUSTRY FOCUS

Business Services: Construction & Engineering, Consulting & Staffing, Equipment Rental, Third-Party Administration, Transportation & Logistics
Consumer & Retail: Consumer Products, E-Commerce, Food & Beverage, Health & Wellness, Retail & Restaurants
Manufacturing & Distribution: Building Products, Packaging, Specialty Chemicals
Technology, Media & Telecom: Communications Equipment, Software

PROFESSIONAL AFFILIATIONS AND ACCREDITATIONS

General Securities Representative ACG Member
Member of the American Institute of Certified Public Accountants (AICPA) Certified Public Accountant
Member of The Commonwealth Institute (TCI)

EDUCATIONAL BACKGROUND

BS, Whittemore School of Business, University of New Hampshire

Who you get….

M&A Market Update

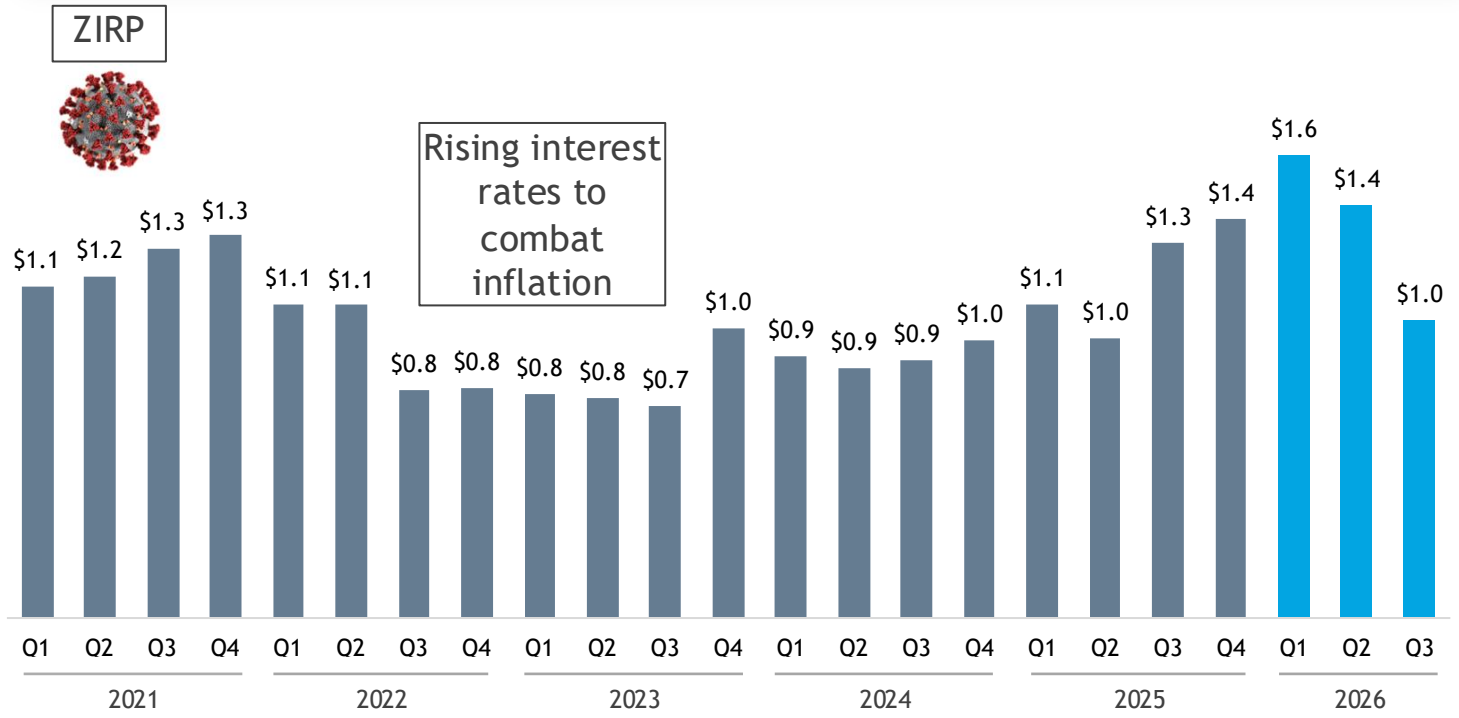
M&A Markets

DEAL VALUE HAS REMAINED AT OR ABOVE $1T FOR EIGHT CONSECUTIVE QUARTERS…

COMMENTARY

- Global M&A activity declined from the robust pace seen in the first half of the year. Total deal value, including estimated deals, still surpassed $1 trillion, making it the fifth consecutive quarter to eclipse this milestone.
- Deal count also slowed slightly, with more than 11,700 deals in 3Q26
- YTD, global M&A has already surpassed $4 trillion in deal value across more than 36,000 deals. This is only the third year on record to reach $4 trillion in deal value

QUARTERLY GLOBAL M&A ACTIVITY *(USD TRILLIONS)*

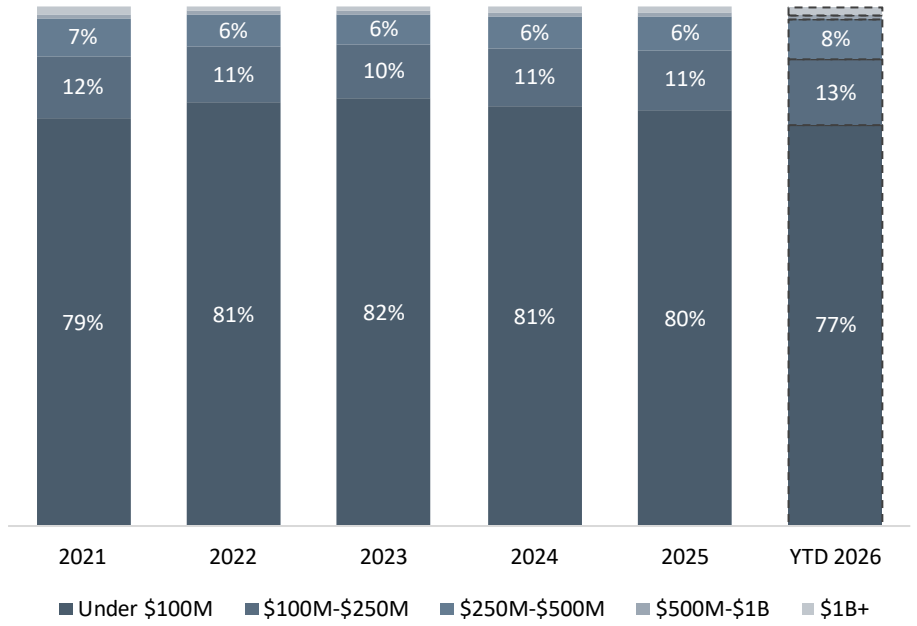


SOURCE: DEALOGIC / PITCHBOOK

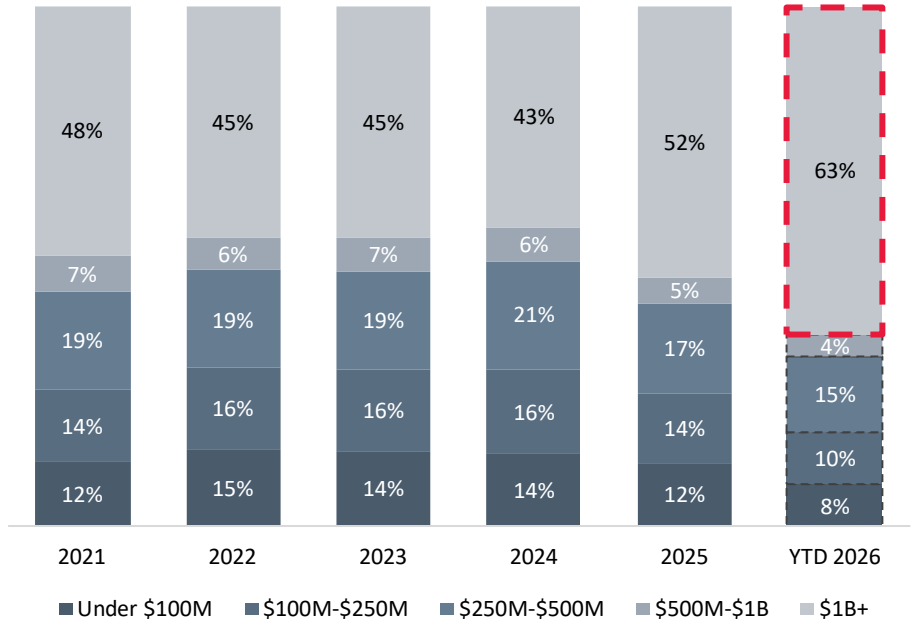
M&A Markets

DEALS OVER $1B ACCOUNT FOR 63% OF VALUE, WHILE THE MIDDLE MARKET REPRESENTS ~98% OF VOLUME…

Mix of deals by volume



Mix of deals by value

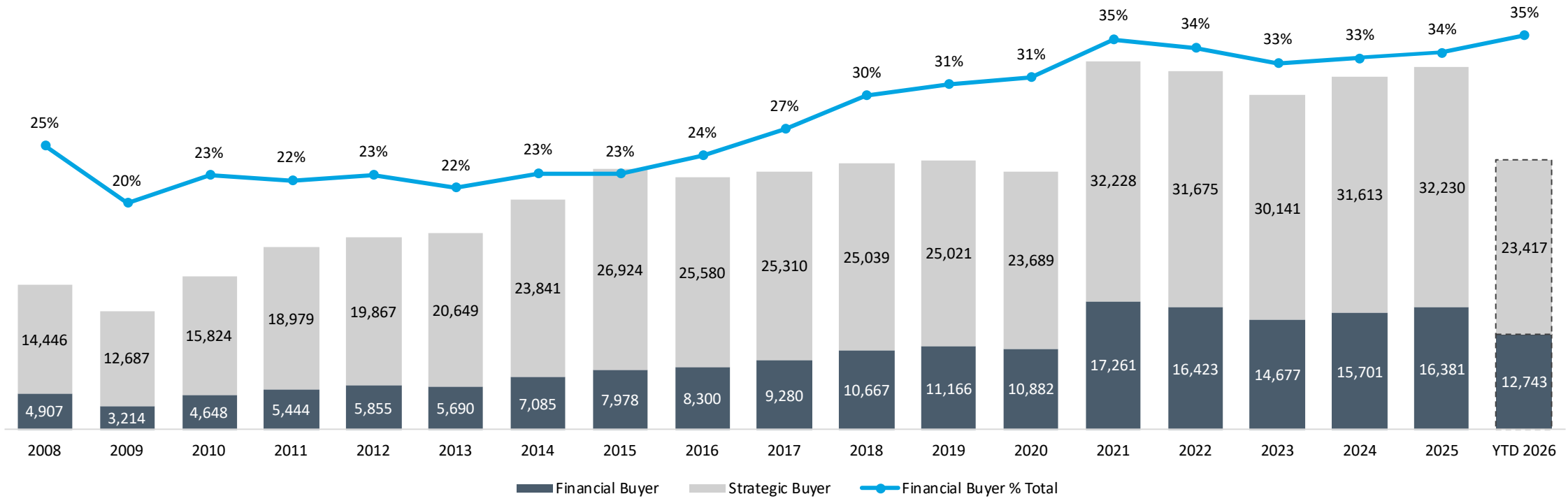


SOURCE: PITCHBOOK (YTD AS OF SEPTEMBER 30, 2026)

M&A Markets

FINANCIAL BUYERS' SHARE OF DEAL VOLUME IS TRENDING HIGHER AGAIN, RETURNING TO 2021 LEVELS…

Mix of deals by buyer type

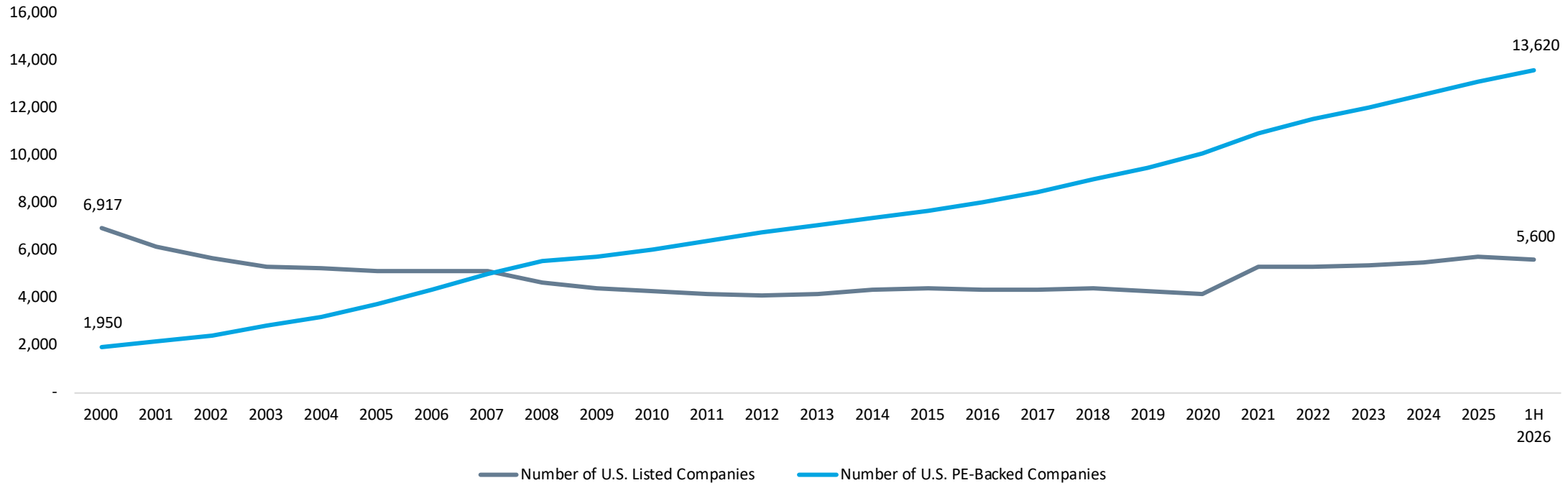


SOURCE: PITCHBOOK

Private Equity Markets

SPONSOR-BACKED COMPANIES HAS GROWN ~7X SINCE 2000, WHILE NUMBER OF PUBLIC COMPANIES PEAKED IN 1996…

Number of U.S. listed v. PE-backed companies



SOURCES: THE WORLD BANK, VISUAL CAPITALIST, PITCHBOOK

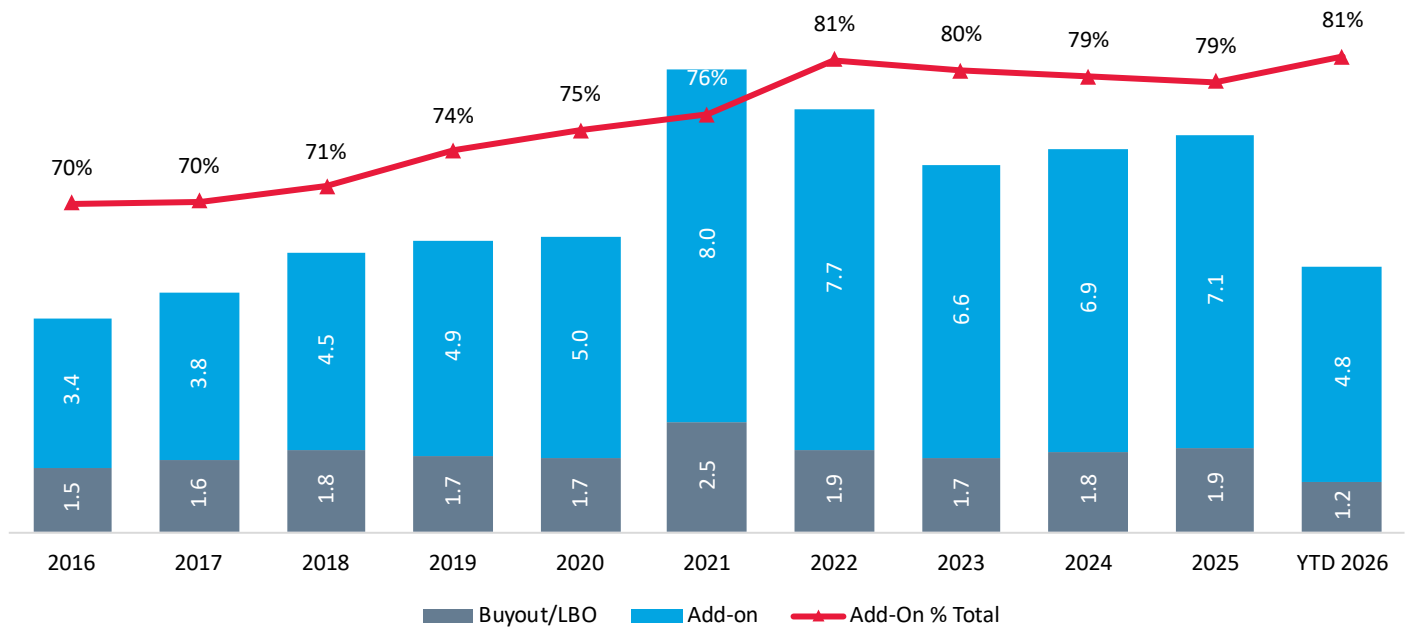
Private Equity Markets

"BUY & BUILD" STRATEGIES ACCOUNT FOR MORE THAN 8 OUT OF EVERY 10 PE DEALS…

COMMENTARY

- Growth through acquisition is a key component of private equity's value creation playbook
- Add-ons offer a faster path to scale within a typical PE hold period, especially when organic growth is challenged
- Smaller "tuck-in" acquisitions can often be had at lower valuation multiples, providing multiple arbitrage at exit
- Deploying additional capital into an existing platform is more efficient than closing on new platform opportunities
- The proliferation of sponsor-backed strategic buyers has benefited lower middle market sellers

U.S. MIDDLE MARKET PE PLATFORM V. ADD-ON TRANSACTIONS (THOUSANDS)



SOURCE: PITCHBOOK (YTD AS OF SEPTEMBER 30, 2026)

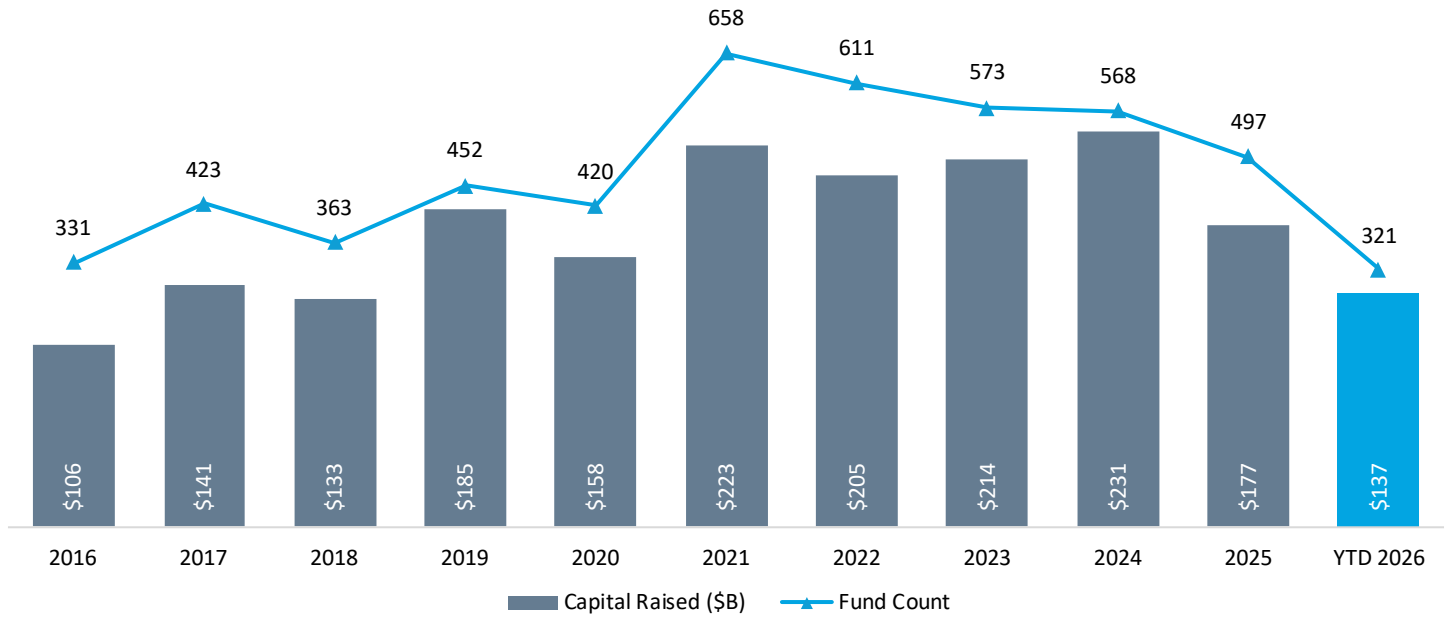
Private Equity Markets

FUNDRAISING HAS SLOWED FROM ITS 2024 PEAK, AS CAPITAL CONCENTRATES IN FEWER FUNDS…

COMMENTARY

- Middle market PE fundraising remains below its 2024 peak, with both capital raised and fund count down meaningfully in 2025 and 2026
- Capital is increasingly concentrating in the largest, most established managers, making it harder for smaller and emerging funds to raise
- With sponsor capital harder to raise, the bar for deployment rises, placing a premium on high-quality, well-run middle market businesses

U.S. MIDDLE MARKET PE FUNDS & CAPITAL RAISED *(USD BILLIONS)*

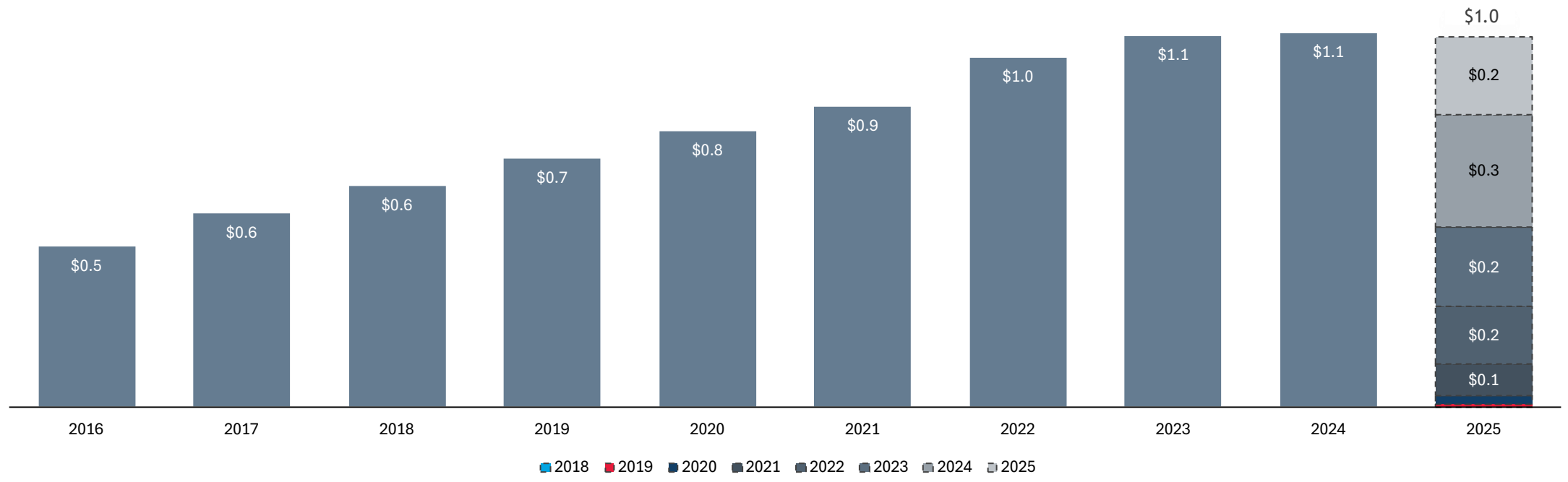


SOURCE: PITCHBOOK (YTD AS OF SEPTEMBER 30, 2026)

Private Equity Markets

U.S. PE DRY POWDER OF ~$1T CONTRACTED IN 2025 FOR THE FIRST TIME IN RECENT HISTORY…

U.S. private equity capital overhang *($T)*

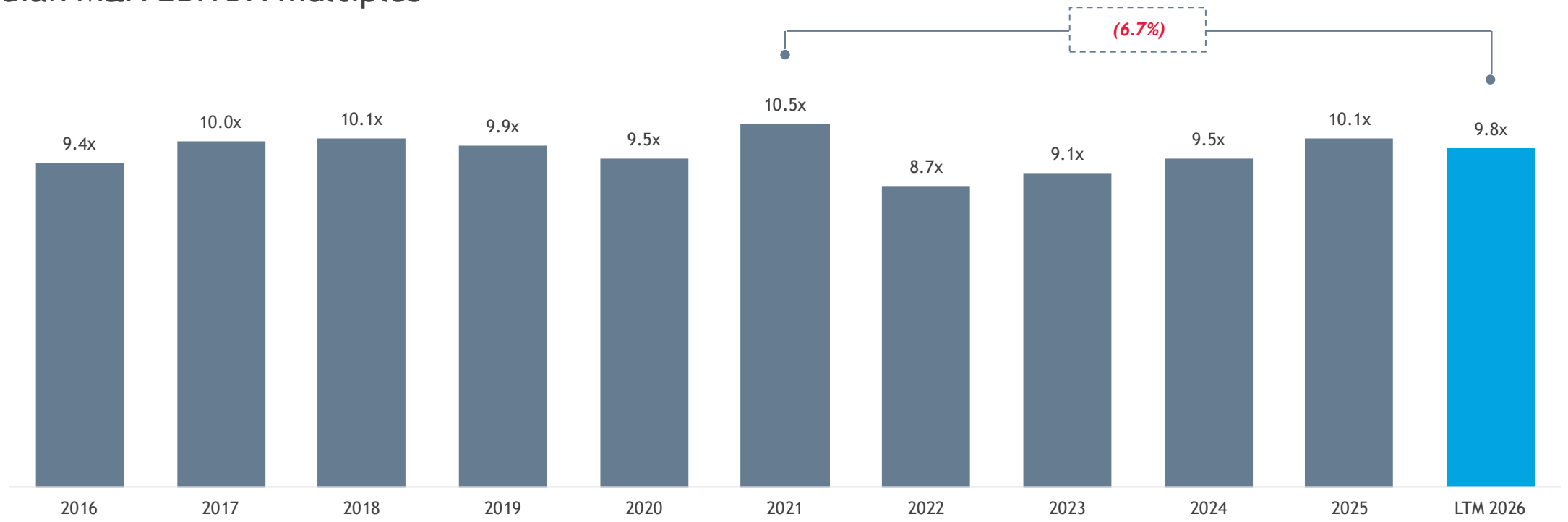


SOURCE: PITCHBOOK

Valuation Dynamics

MULTIPLES COMPRESSED MODESTLY DURING 2026, BUT REMAIN WELL ABOVE 2022 THROUGH…

Median M&A EBITDA multiples

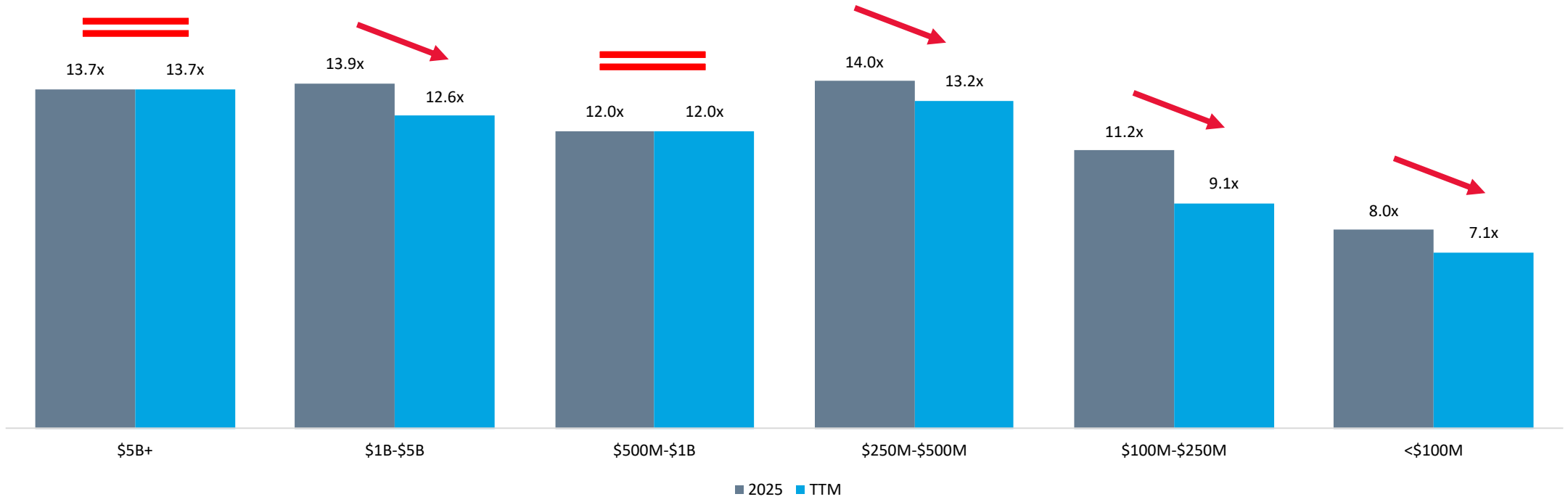


SOURCE: PITCHBOOK (YTD AS OF SEPTEMBER 30, 2026)

Valuation Dynamics

LARGER, MORE DIVERSIFIED ORGANIZATIONS CONTINUE TO COMMAND A MEANINGFUL SIZE PREMIUM…

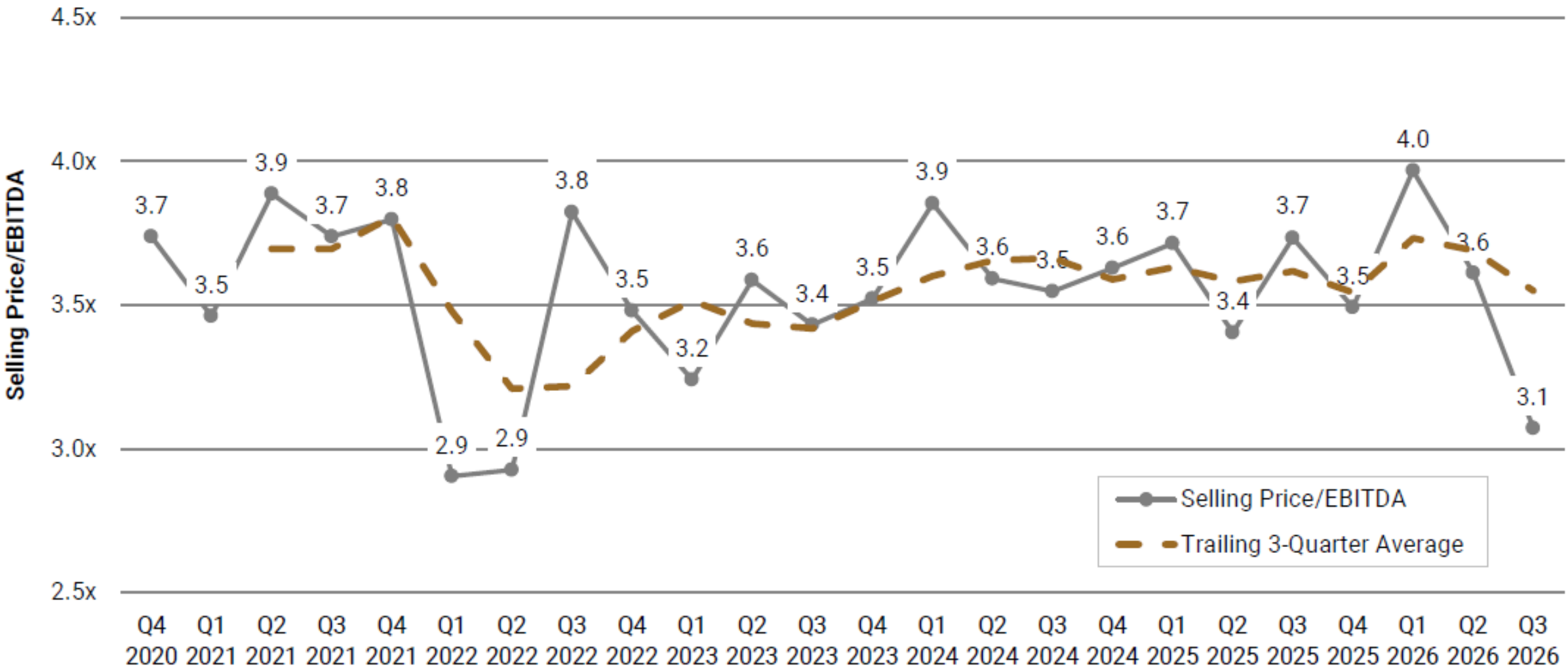
Median M&A EBITDA multiples by size bucket



SOURCE: PITCHBOOK (DATA AS OF SEPTEMBER 30, 2026)

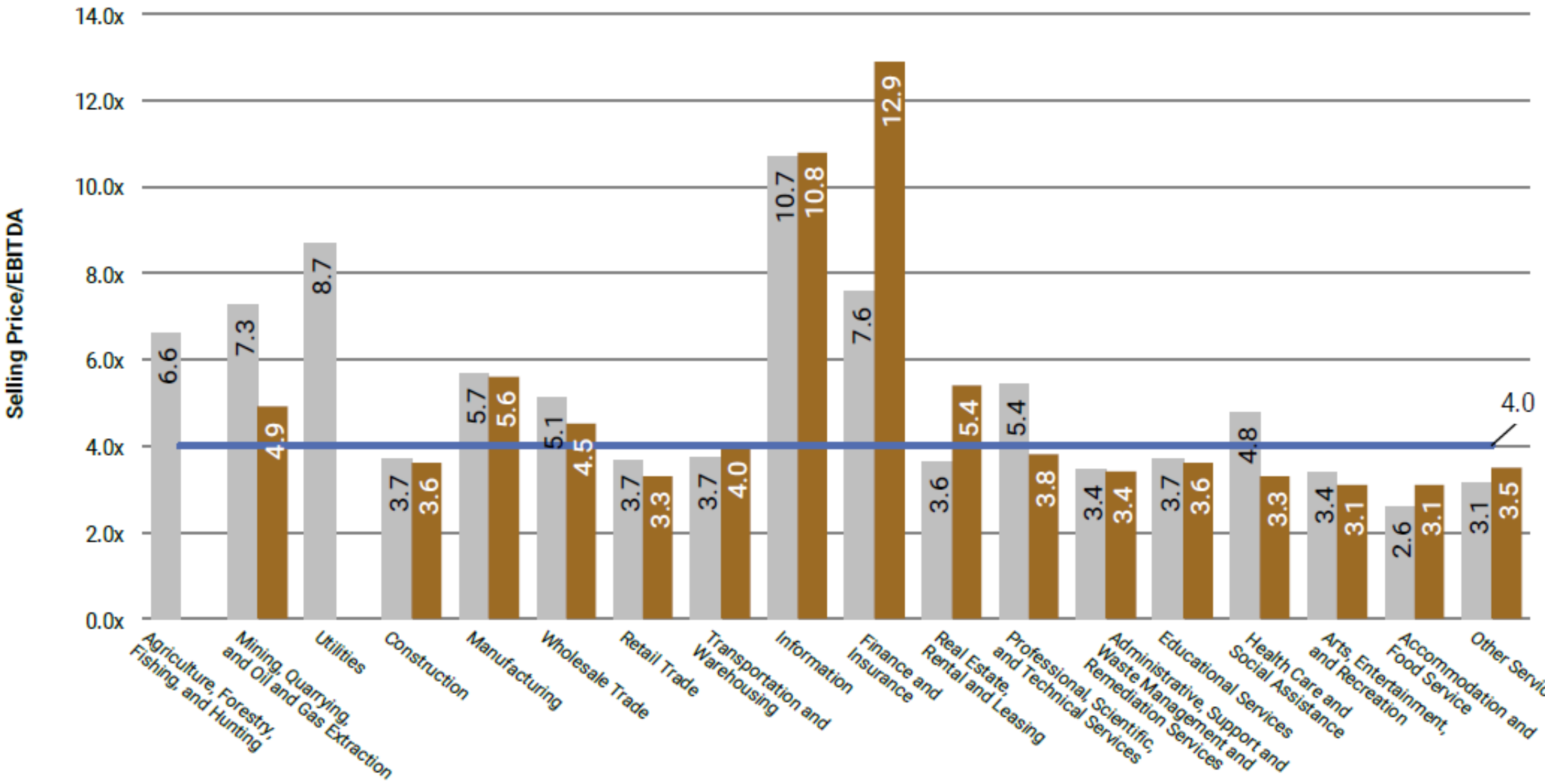
BV Resources – DealStats Value Index 4Q 2026

EXHIBIT 1A. MEDIAN SELLING PRICE/EBITDA WITH TRAILING THREE-QUARTER AVERAGE (PRIVATE TARGETS)



BV Resources – DealStats Value Index 4Q 2026

EXHIBIT 3. MEDIAN SELLING PRICE/EBITDA BY SECTOR (PRIVATE TARGETS)



Public Equity Markets (Through Sept 2026)

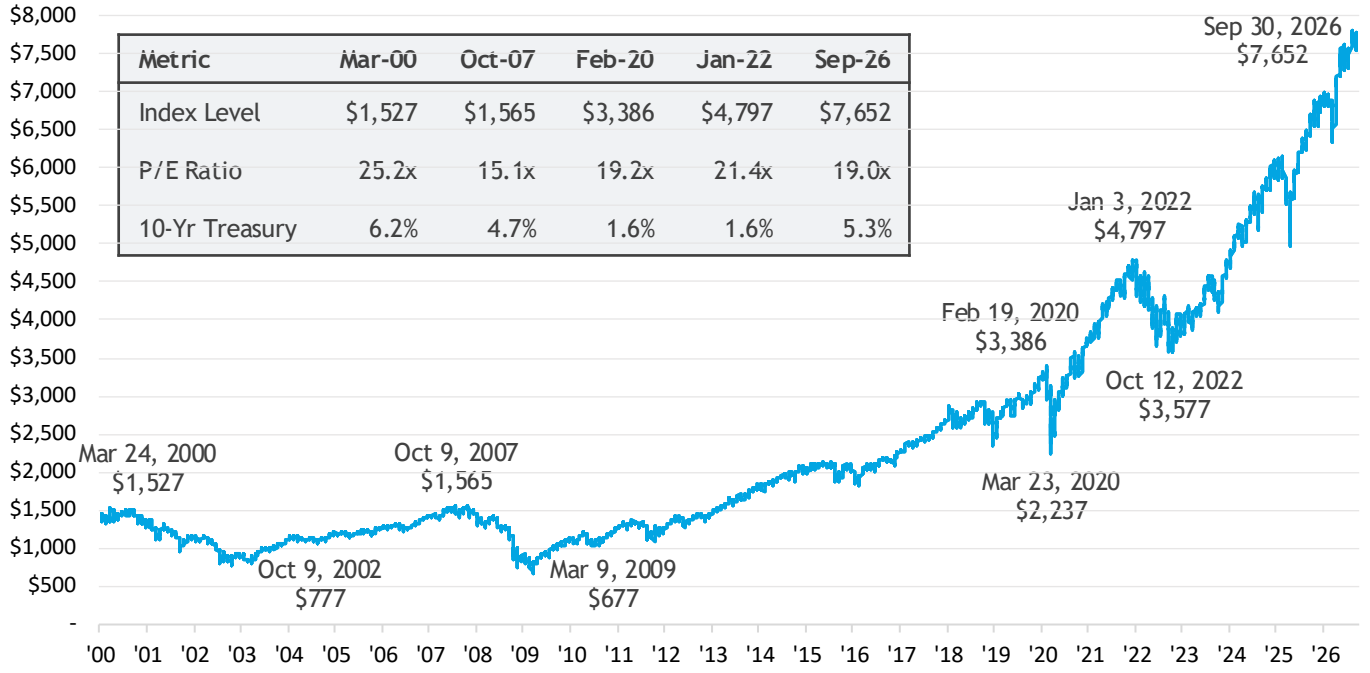
S&P 500 REACHES ALL-TIME HIGHS, LED BY THE "MAGNIFICENT 7" AND AI-DRIVEN EARNINGS GROWTH…

COMMENTARY

- U.S. equities remain near record highs, supporting corporate confidence, sponsor fundraising, and acquisition appetite
- Strong public markets support private company markets.
- Investor sentiment remains constructive, driven by resilient earnings growth and expectations of continued economic expansion
- Elevated interest rates and persistent inflation remain key risks to valuations, financing markets, and deal activity

S&P 500 INDEX PERFORMANCE & KEY METRICS AT INFLECTION POINTS

Metric	Mar-00	Oct-07	Feb-20	Jan-22	Sep-26
Index Level	$1,527	$1,565	$3,386	$4,797	$7,652
P/E Ratio	25.2x	15.1x	19.2x	21.4x	19.0x
10-Yr Treasury	6.2%	4.7%	1.6%	1.6%	5.3%



SOURCE: S&P CAPITAL IQ

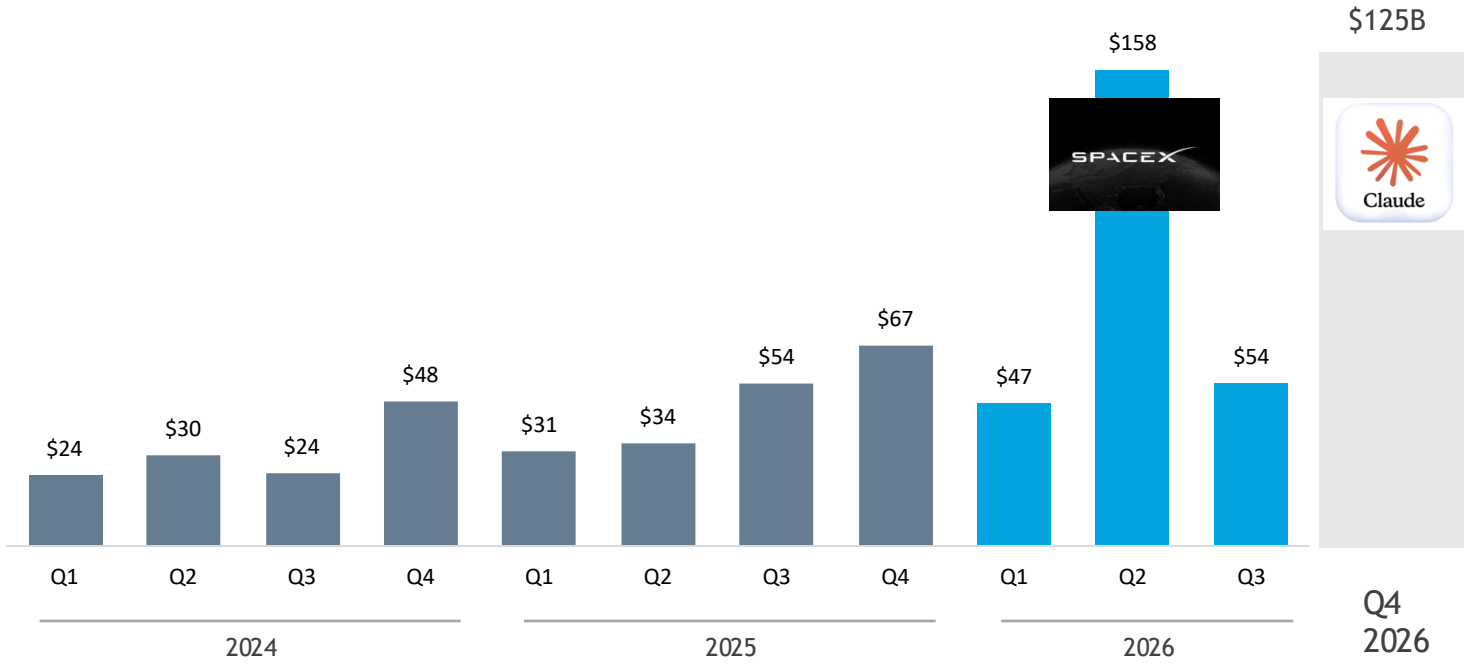
Public Equity Markets

U.S. IPO MARKET REACHED RECORD HIGHS IN 2026

COMMENTARY

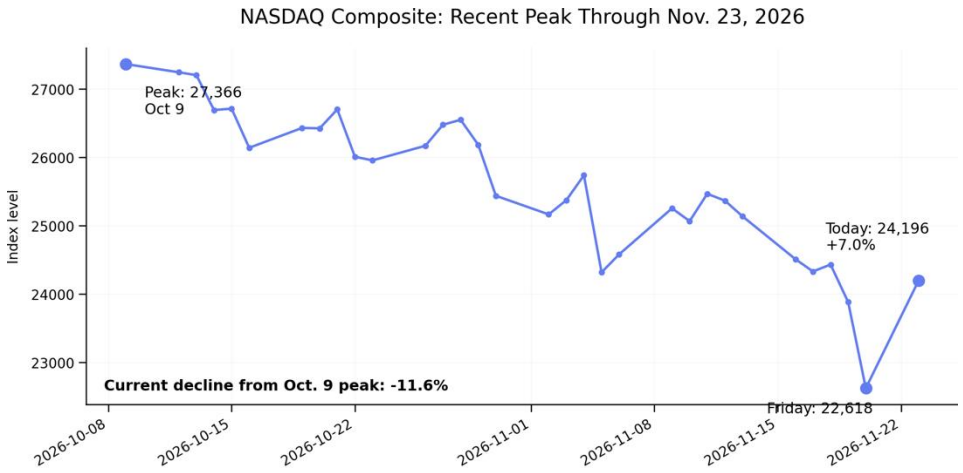
- U.S. IPO proceeds reached a record in 2Q26, driven by SpaceX's ~$75 billion offering, the largest IPO in history followed by Anthropic, another IPO ~$125B
- 2026 strongest IPO year ever
- A reopened IPO market provides PE sponsors with a critical exit path, helping relieve pressure on aging portfolio companies

U.S. IPOS BY QUARTER *(USD BILLIONS)*



SOURCE: DEALOGIC (INITIAL PUBLIC OFFERINGS ON U.S. EXCHANGES, INCLUDING NON-U.S. ISSUERS)

What happened in the last month and a half!?!?!



Nasdaq -
11% decline
since mid
October



<u>A lot of volatility / uncertainty is building</u>

- Thanks Jensen!- Largest company in the world declined by 47% or $2.75T (recovered somewhat)
- Uncertainty in AI/data center buildout (which has contributed to GDP growth this past year)
- Concerns over AI – See Anthropic S-1
- Inflation concerns persist – oil, electricity → goods → labor
- Persistently high interest rates
- New federal reserve chair & idea the fed may raise rates
- Volatility

<u>Bottom Line:</u> Risks in the public markets impact private markets!

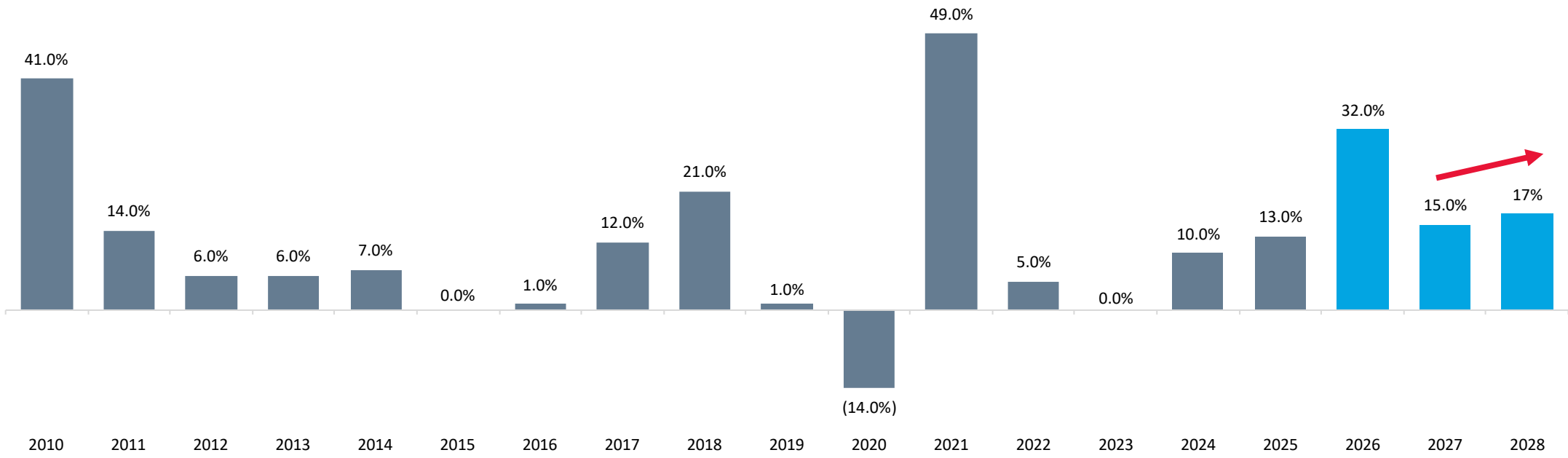


Public Equity Markets – There is actually good news too

ANALYSTS PROJECT DOUBLE-DIGIT EARNINGS GROWTH TO CONTINUE THROUGH 2028…
A LOT OF RISK HAS ALREADY BEEN PRICED IN

S&P 500 historical & projected earnings growth

The market has already priced in a lot of risk

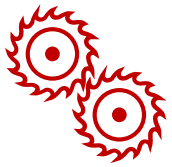


SOURCE: FACTSET

Illustrative Industry Observations

ACTIVITY VARIES ACROSS INDUSTRIES

AEROSPACE & DEFENSE



- Demand supported by multi-theater conflict
- Nearshoring driving domestic consolidation
- AI enhancing productivity
- Strong backlog visibility supporting financing

HEALTHCARE



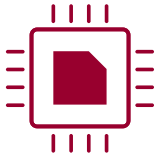
- Labor shortages and structural inefficiencies driving interest in healthcare IT
- Regulatory and macro uncertainty rewards diversification
- Continued focus on healthcare services and technology/infrastructure assets

INDUSTRIAL SERVICES



- Proven strategic bolt-on execution strategy
- Protection from AI disruption
- Perceived consolidation arbitrage

TECHNOLOGY



- AI-differentiation and strategic relevance driving valuation premiums
- M&A a tool to acquire speed and critical capabilities
- Defensible moats are paramount as AI accelerates competitive pressure

NOTE: INDUSTRIES SHOWN ARE ILLUSTRATIVE AND NOT INTENDED TO BE COMPREHENSIVE

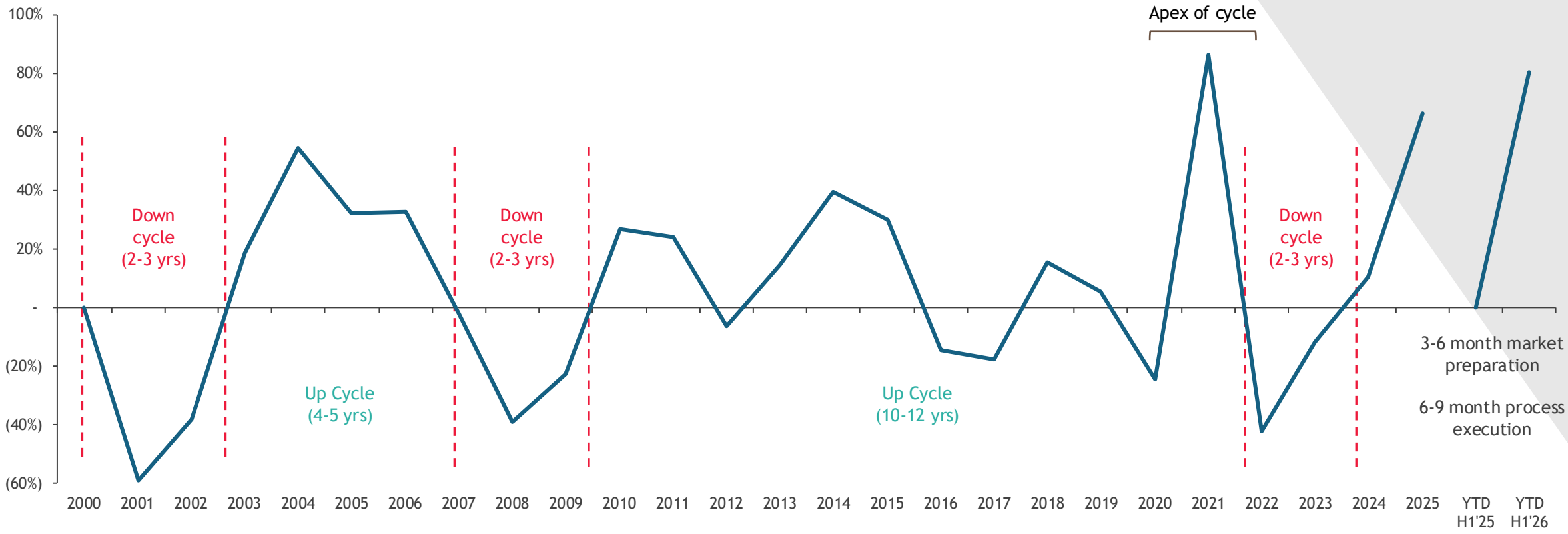
Maximizing the Value of a Business Through the Sales Process

M&A Outlook

TIMING OF MARKET ENTRY

- Timing of launch and execution is strategically important to maximize wealth
  - Market cycle 4-5 years

Will what happened over the past month impact the market cycle?



SOURCE: S&P CAPITAL IQ

1 Strategic Liquidity Alternatives

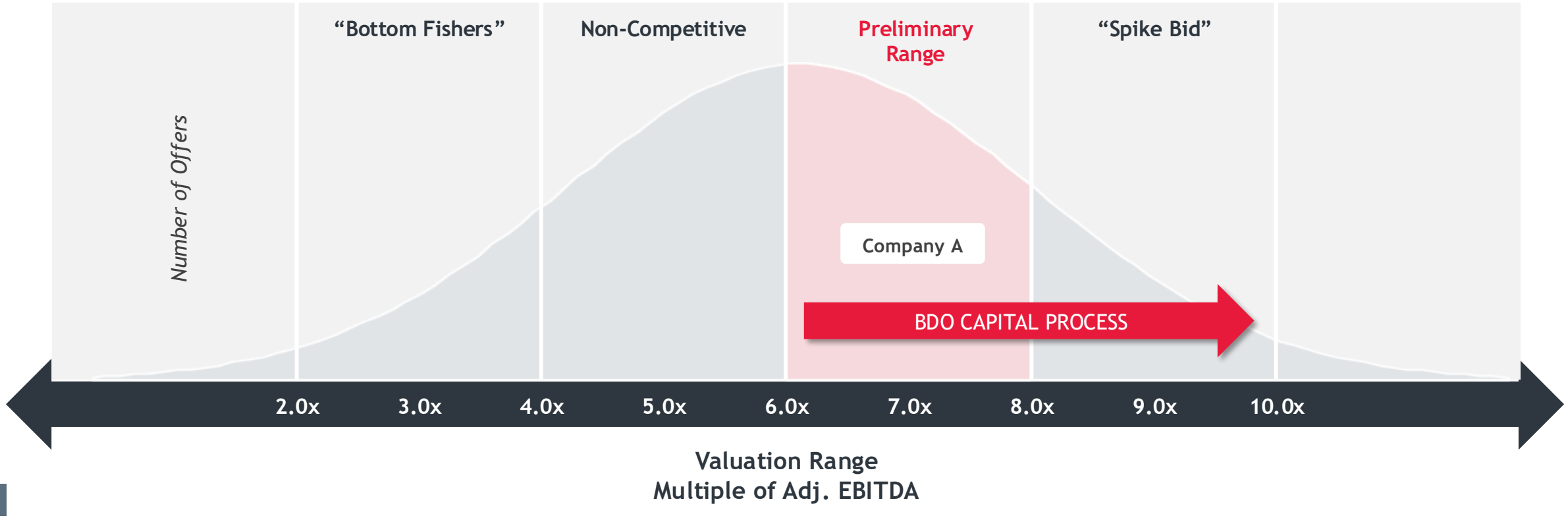
	ESOP Sale	Private Equity *Minority Recap*	Private Equity *Majority Recap*	Strategic Buyers
Valuation / Up-Front Liquidity	●	●	●●	●●●
Tax Minimization	●●●	●●	●●	●
Time to Full Liquidity	●	●●	●●	●●●
Management Incentives	●●	●●	●●●	●
Employee Ownership	●●●	●●	●●	●
Minimize Cultural Disruption	●●●	●●●	●●●	●
Maintain Operating Control	●●●	●●	●●	●
Transaction / Compliance Costs	●●●	●●	●●	●
Minimize Debt	●	●●	●●	●●●

2 Positioning the Company

VALUE DRIVER	DISCOUNT VALUATION	Company A	PREMIUM VALUATION
Addressable Market	Niche market with limited runway for growth, high competition and cyclicality	✓	Large, fragmented market with white space and favorable industry tailwinds
Growth Strategy	Underdeveloped strategy with limited growth opportunities	✓	Proven growth strategy thoughtfully developed with quantifiable opportunities
Unique Value Proposition	"Price taker" due to high competition and limited differentiation	✓	Defensible and differentiated offering with strong barriers to entry / proprietary solutions
Platform Diversity	Concentration in one or a few contracts, customers, products or regions	✓	Diversified revenue mix across customers, product/service offerings and regions
Stability & Predictability	Lumpy project-based revenue with short-term contracts and limited visibility	✓	High recurring revenue, low customer churn and strong backlog/pipeline visibility
Free Cash Flow Generation	Low or unsustainable margins with high capex, CAC and/or working capital needs	✓	Sustainably high margins with operating leverage and strong FCF conversion
Management Team	Incomplete management team that poses potential for "key man" risk	✓	Strong management team with industry experience and organizational depth
Brand Strength	Undifferentiated player in the space, indistinguishable from competitors	✓	Established industry leader with brand equity whose reputation garners premium pricing

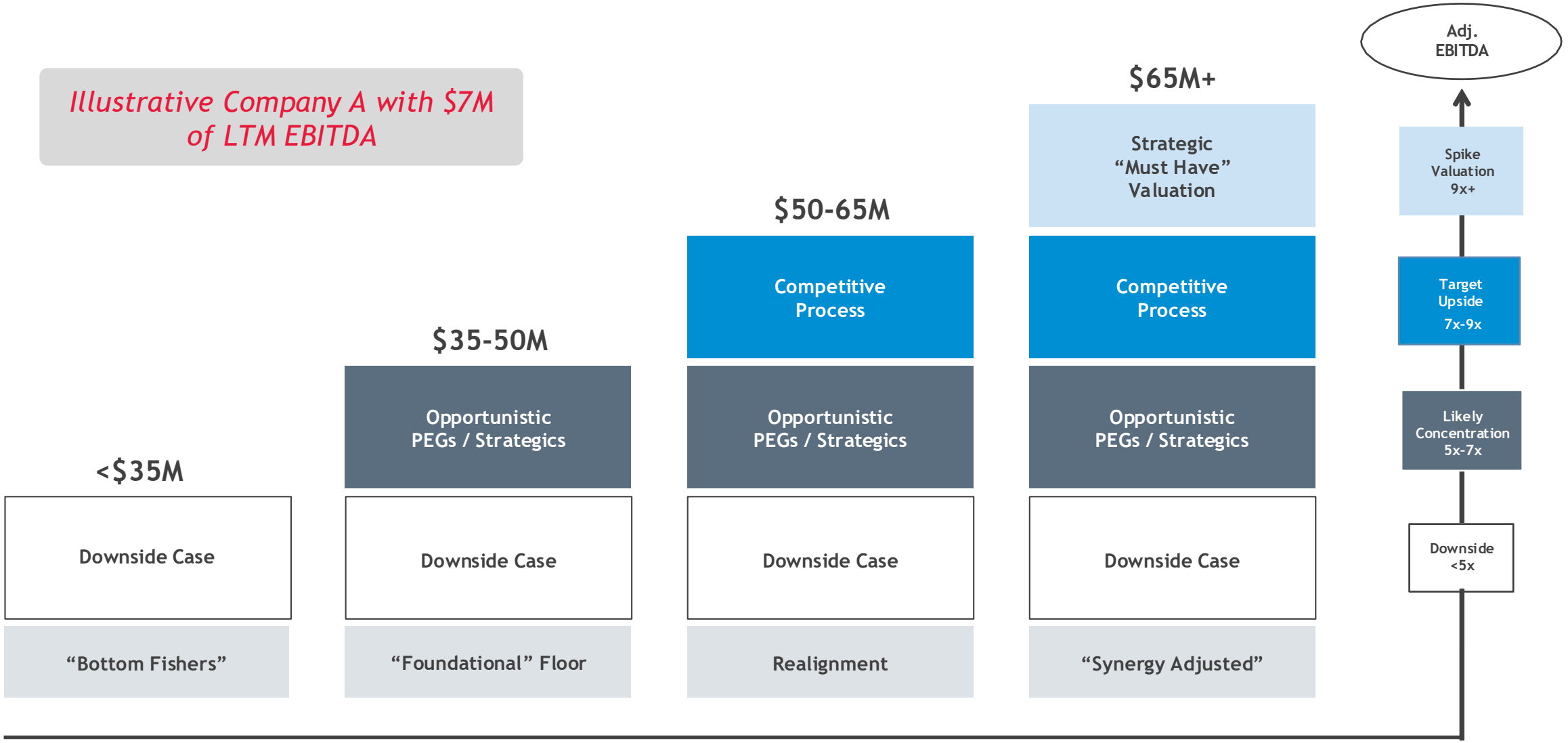
3 Craft a Process that Maximizes Value

- BDO Capital provides clients with candid, market-based valuation guidance that reflects a range of value where the company could reasonably expect to receive multiple bids from prospective acquirers
- A well orchestrated sale process by BDO Capital creates *competitive tension* which maximizes the probability of an outlier "spike bid" → This can sometimes result in a 20%-40% premium in value



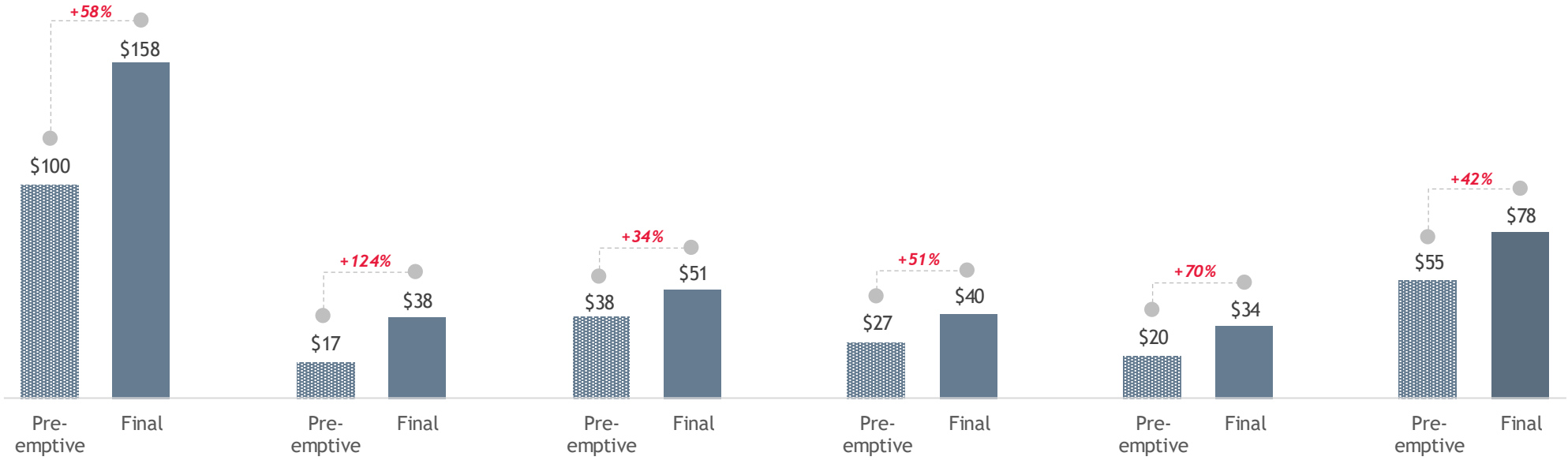
4 Quantifying Enterprise Value

Illustrative Company A with $7M of LTM EBITDA



5 Driving Higher Value

- Since 2023, BDO Capital has worked with five clients that received pre-emptive offers
- In every case, BDO Capital was able to increase valuation by at least 35%



$ in millions	Project Kingfisher	Project Blacktop	Project Forest	Project Coil	Project Halo	Project Everest
Industry	Construction	Construction	Building Products	Construction	Building Products	Building Products
Ultimate High Bidder	Pre-emptive Party	New Buyer	New Buyer	New Buyer	Pre-emptive Party	New Buyer

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The Current Economy and Its Impact on the Federal Budget Process

Implications for Government and Defense Contractors

Annual Tax Seminar and Client Appreciation
November 2026

Andrew Holzer, CPA, CFE, CISA
Principal, Wessel & Company

SPEAKER INTRODUCTION

Andrew S. Holzer, CPA, CFE, CISA

Principal, Audit Department | Wessel & Company



Federal audit and advisory experience

Leads audit engagements spanning financial statement compliance, grant management, internal controls, and federal and state regulatory compliance.

CREDENTIALS

CPA • CFE • CISA

CORE FOCUS

Government auditing • Compliance • Internal controls

CAPABILITIES

Risk assessment • Data analytics • Data visualization • AI

PERSPECTIVE

Contractor and federal government experience

Agenda

Three perspectives on the operating environment for government and defense contractors

01

The Current Economy

Growth, inflation, interest rates, and the operating implications for costs and capital.

02

The Federal Government

Federal spending, defense priorities, legislative timing, and the procurement environment.

03

The Impact on Federal Contractors

Cash flow, margins, compliance, pipeline discipline, and management actions.

01

United States Economy

Where strength is holding, where weakness is emerging, and what the data says.

Executive snapshot

Q3 growth accelerated, but inflation, energy costs, and tighter capital still create a mixed operating environment.

3.4%	3.7%	3.75–4.00%	$1.45T	Dec. 11
Q3 2026 real GDP growth	September CPI, year over year	Federal funds target range	FY2027 DoD request	CR funding horizon

Resilient private demand

Consumer spending, investment, and private domestic demand remain supportive.

Cost pressure persists

Energy, financing, labor, and supplier costs still require active margin management.

Federal demand is sizable

Defense priorities support demand, but timing and appropriations execution matter.

A two-speed economy

Q3 growth reaccelerated as investment, consumers, and government spending contributed.

STRENGTH

Consumer spending
Private domestic demand
Corporate profits
Robust investment

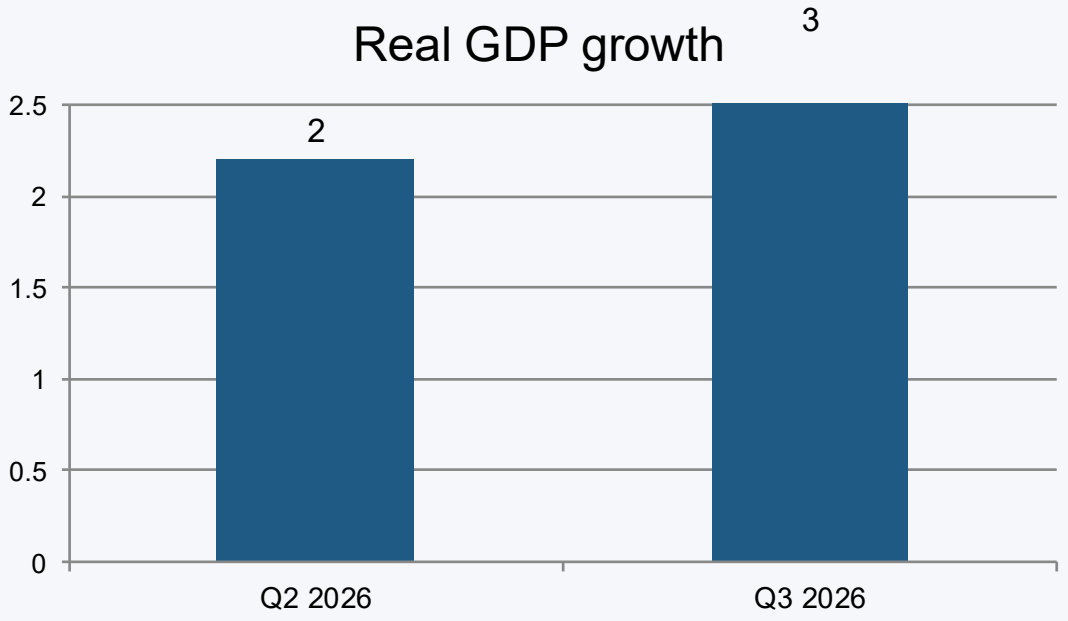
WEAKNESS / PRESSURE

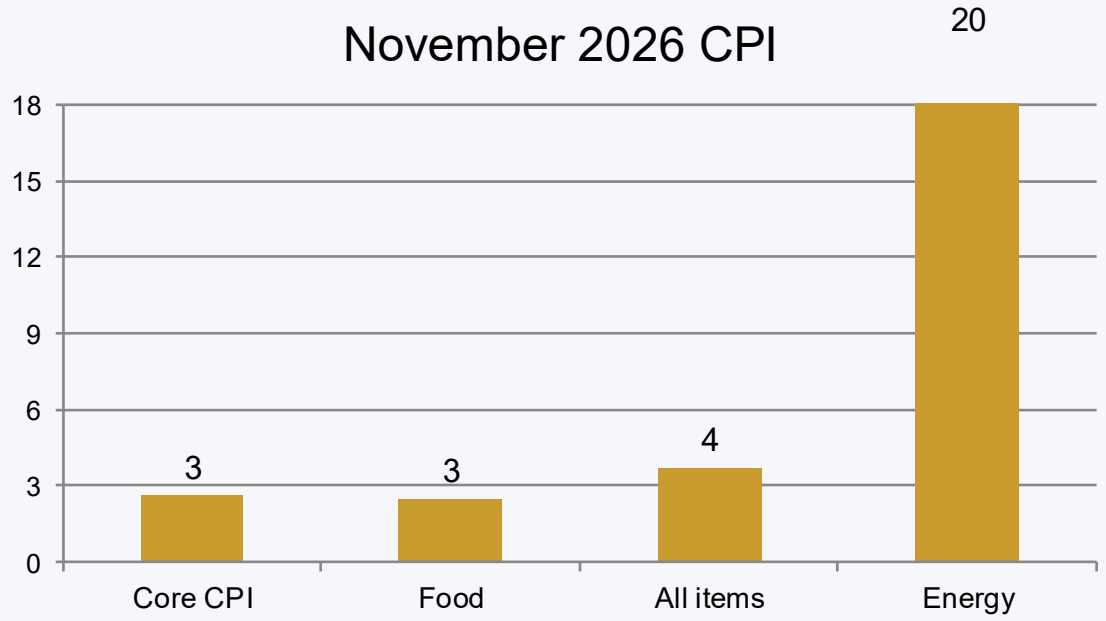
Inflation remains elevated
Energy-driven cost pressure
Exports declined
Higher imports reduced measured GDP

Management takeaway: plan for growth, but protect liquidity and contract margins.

What the latest data says

Q3 growth accelerated, while September inflation and energy costs remained elevated.





Interpretation Demand strengthened in Q3, but elevated energy prices and financing costs can still squeeze contractor labor, travel, materials, and bid assumptions.

Wall Street strength, Main Street friction

Equities remain positive for 2026, but gains have moderated while inflation and energy prices remain elevated.

STOCK MARKET

Strong

+9.4%

S&P 500 total return YTD
through November 16, 2026

Market signal

Investors are assigning value to future earnings, innovation, and corporate resilience.



REAL ECONOMY

Faster, but cost pressured

3.4%	3.7%	20.4%
Q3 real GDP growth	September CPI, year over year	Energy CPI, year over year

Economic signal

Output accelerated in Q3, but inflation and elevated energy costs continue to affect operating assumptions.

THE DIVERGENCE: stronger Q3 growth supports demand, while market volatility and inflation still shape today's operating environment.



02

Federal Government

Spending trajectory, defense priorities, legislative throughput, and appropriations timing.

118th Session of Congress (2023-2024)

BILLS INTRODUCED	HOUSE BILLS	SENATE BILLS	BECAME LAW
19,315	12,556	6,759	274

WHERE BILLS STAND

Status distribution

Ask about this →

Most introduced bills never leave committee. The bar shows how this Congress's introduced bills are distributed across the legislative pipeline.



Introduced	3.0%	575
In committee	94.4%	18,229
Passed one chamber	1.2%	224
Vetoed	0.1%	13
Became law	1.4%	274

BY SUBJECT

Top policy areas

Ask about this →

The most common policy areas tagged on bills introduced this Congress.

Health	2,377
International Affairs	1,557
Armed Forces and National Security	1,466
Government Operations and Politics	1,415
Crime and Law Enforcement	1,122
Taxation	1,067
Education	860
Agriculture and Food	852

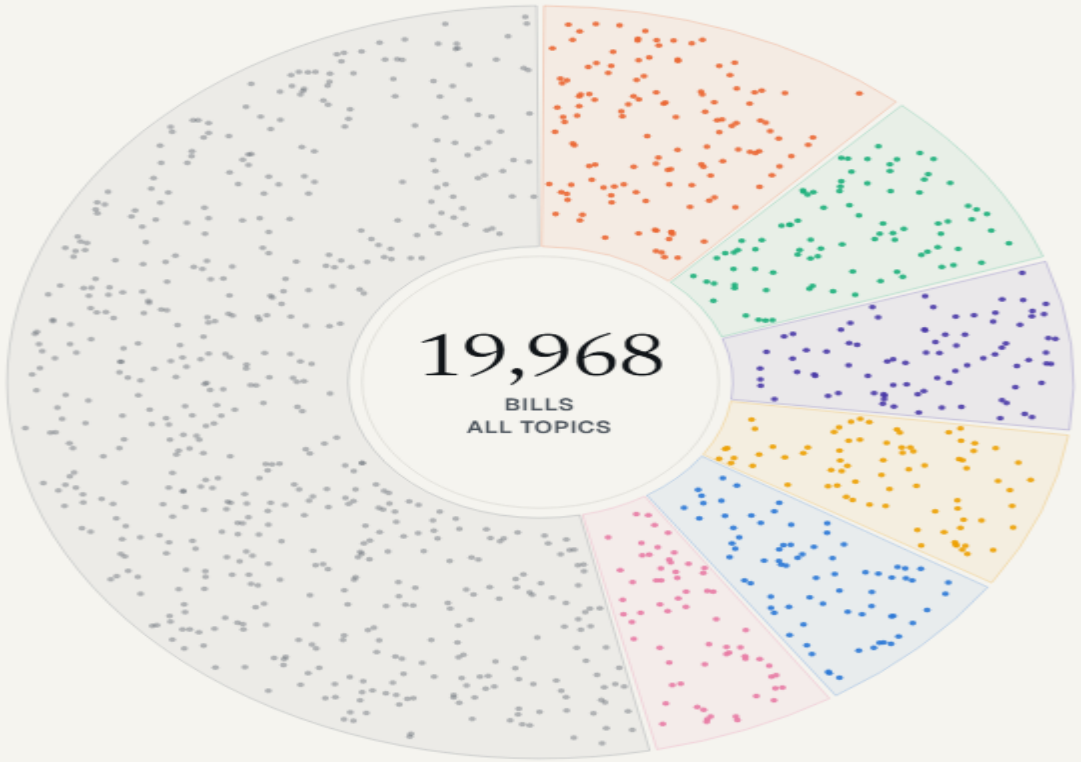
119th Session of Congress (2025-2026)

Bills and resolutions	From the House	From the Senate	Became law
19,968	13,046	6,922	144
House and Senate	65% of the total	35% of the total	about 1 in 119 that could

BY SUBJECT

What Congress is working on

Ask about this →



each dot ≈ 18 bills

Health	11.7%	2,343	→
Armed Forces and National Security	8.0%	1,589	→
Government Operations and Politics	7.4%	1,487	→
International Affairs	6.9%	1,381	→
Taxation	6.7%	1,341	→
Crime and Law Enforcement	5.8%	1,165	→
Other topics, or none tagged	53.4%	10,662	

Click a topic to see its bills or ask about them.

Federal spending remains large, with less fiscal room

Mandatory programs and interest costs increasingly constrain discretionary choices.

$7.4T	$1.9T	$1.0T	23.3%
Projected FY2026 outlays	Projected FY2026 deficit	Projected net interest	Outlays as a share of GDP

Why it matters for contractors

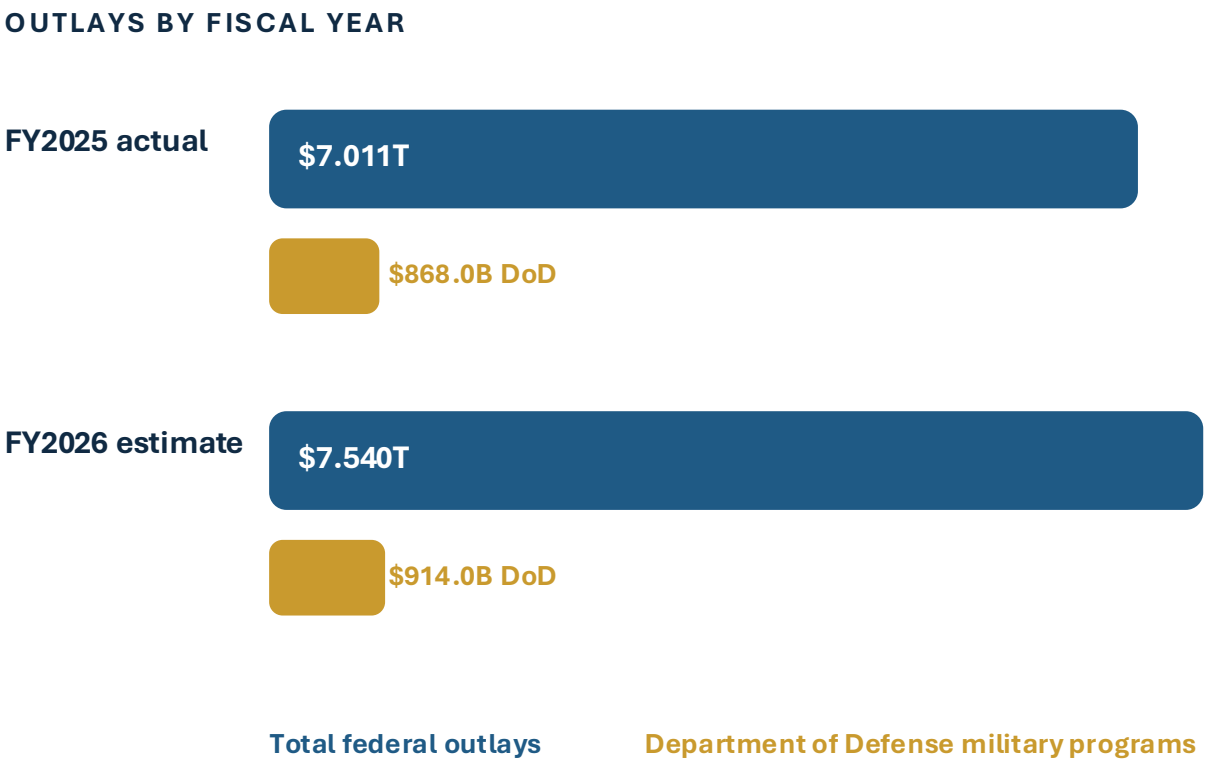
- Program demand can coexist with stronger scrutiny of affordability and outcomes.
- Interest costs compete with discretionary priorities over time.
- Appropriation timing may matter as much as topline authorization.

Planning posture

Build scenarios around funding timing, not just annual totals. Track obligations, recompetes, and acquisition milestones by customer.

Federal outlays continue to rise

FY2025 actual outlays compared with the FY2026 estimate, including Department of Defense military programs.



TAKEAWAY: DoD outlays rise by about $45.3B, while total federal outlays rise by about $529.3B; Defense remains roughly one-eighth of total outlays.

Defense demand is substantial, but execution is program-specific

The FY2026 DoD request and enacted appropriations create a large addressable market across mission, systems, and support services.



$1.45T FY2027 DoD budget request

Mission systems	Cyber, digital, data, intelligence, and resilient communications
Industrial base	Shipbuilding, aerospace, munitions, components, and sustainment
Business operations	Financial management, audit readiness, logistics, and administrative support



03

Federal Government Impacts to You

Translate macro conditions and federal funding mechanics into contractor actions.

Contractor impacts differ by business model

The same environment creates different risks for services firms, manufacturers, and defense primes or subcontractors.

Federal contractors

Funding timing and stop-start work

Rates and indirect-cost pressure

Compliance capacity

Customer concentration

Defense contractors

Long-lead materials and capacity

Cyber and supply-chain requirements

Program-specific funding risk

Teaming and clearance constraints

Management actions

Stress-test cash and backlog

Refresh escalation assumptions

Map dependencies by award

Protect key talent and partners

Federal rules in flux: the contractor impact map

Contractors must monitor changes at the FAR, agency-supplement, clause, and contract-administration levels.

RULE FAMILY	WHAT CAN CHANGE	CONTRACTOR EXPOSURE	MANAGEMENT RESPONSE
Acquisition process	FAR overhaul, contract types, competition, commercial buying	Capture strategy, bid/no-bid, proposal structure	**Track FAR cases and deviations**
Cyber & information security	CMMC status, safeguarding, reporting, supply-chain security	Eligibility, evidence, incident response, subcontract flowdowns	**Maintain current assessments**
Domestic sourcing	Buy American, Berry Amendment, qualifying-country rules	Bills of material, supplier certifications, pricing	**Map country of origin**
Labor & workforce	Wage determinations, service and construction labor standards	Labor categories, compensation, recordkeeping	**Refresh wage assumptions**
Small business & socioeconomic	Set-asides, subcontracting plans, representations	Teaming, mentor-protege, compliance reporting	**Validate status and goals**
Cost, pricing & accounting	CAS, cost principles, certified data, audit expectations	Estimating systems, indirect rates, documentation	**Strengthen audit trail**
Sustainability & supply chain	Environmental purchasing and restricted-source controls	Supplier screening, product selection, traceability	**Screen and document sources**

Operating principle: identify the applicable clause, effective date, flowdown, and evidence requirement for every material opportunity.

Contractor rules in flux

Three major rule regimes are changing at the same time, creating different compliance timelines and contract impacts.

01

FAR overhaul

ACTIVE RULEMAKING

WHAT IS CHANGING

12 proposed rules are intended to streamline the FAR in its entirety; current proposals revise acquisition planning, competition, commercial buying, negotiations, clauses, and other parts.

CONTRACTOR IMPACT

Solicitation terms, acquisition methods, proposal strategy, contract administration, and agency-specific deviations may differ during transition.

MANAGEMENT RESPONSE

Track the solicitation's incorporated clauses and the issuing agency's deviation.

02

CMMC

PHASE I ACTIVE / PHASE II PAUSED

WHAT IS CHANGING

Phase 1 self-assessments remain in place. The November 10 Phase II milestone remains suspended pending the Department review.

CONTRACTOR IMPACT

Award eligibility, FCI/CUI safeguarding, assessment evidence, annual affirmations, and subcontractor flowdowns.

MANAGEMENT RESPONSE

Maintain Phase 1 evidence, keep SPRS data current, and monitor revised Phase II direction.

03

Uniform Guidance

TRANSITIONING

WHAT IS CHANGING

The 2024 revisions apply to awards issued on or after October 1, 2024; audit changes apply for fiscal years beginning on or after that date.

CONTRACTOR IMPACT

Single Audit threshold, equipment and supplies thresholds, indirect costs, cybersecurity measures, award administration, and subrecipient oversight.

MANAGEMENT RESPONSE

Map the applicable version award by award, including amendments and subawards.

CONTROL POINT: maintain a contract-level matrix of applicable rule version, clause, effective date, flowdown, and required evidence.

Additional contractor rules in flux

Six additional rule families can affect accounting, pricing, security, ownership, sourcing, and workforce compliance.

01 Cost Accounting Standards

FINAL RULES

CAS Board final rules increase monetary thresholds and conform CAS 407 treatment to GAAP.

Coverage determinations, disclosure statements, accounting practices, and IDC analysis.

Reassess CAS coverage for new awards and task orders.

02 Cost or Pricing Data

THRESHOLD TRANSITION

Statutory and regulatory thresholds are moving, creating a transition between current FAR text and directed changes.

Proposal certifications, subcontract data, modifications, and defective-pricing risk.

Verify the threshold stated in each solicitation and contract.

03 CUI & Supply-Chain Security

PROPOSED / CONSOLIDATING

Proposed FAR Part 40 consolidates security prohibitions, exclusions, and safeguarding requirements.

CUI controls, supplier screening, IT inventories, reporting, and flowdowns.

Map covered systems, products, sources, and clauses.

04 Foreign Ownership / FOCI

PROPOSED DFARS RULE

DoD proposes beneficial-ownership and foreign ownership, control, or influence disclosures.

Ownership diligence, investor reporting, M&A reviews, and subcontractor certifications.

Maintain current ownership records and change controls.

05 Labor & Wage Rules

TRANSITIONING

Executive-order changes coexist with continuing Service Contract Act, Davis-Bacon, and legacy wage requirements.

Wage determinations, employee classification, fringe benefits, payroll records, and pricing.

Tie wage assumptions to contract type and award date.

06 Domestic Sourcing

CLAUSE-BY-CLAUSE

Buy American, Berry Amendment, trade-agreement, sanctions, and restricted-source rules continue to shift.

Country of origin, bills of material, supplier certifications, traceability, and price.

Validate sourcing representations before proposal and delivery.

MANAGEMENT RESPONSE: use a rule-change register tied to solicitations, contracts, effective dates, flowdowns, owners, and evidence.

CR overlay: changing rules meet constrained execution

The December 11 deadline affects implementation capacity and acquisition timing more than existing compliance duties.

DECEMBER 11, 2026 — **Current CR expires; absent action, a funding gap can begin December 12.**

EXISTING REQUIREMENTS

Generally remain enforceable

Contract clauses, CMMC obligations, CAS, and cybersecurity requirements do not automatically pause under a CR.

EMERGING REQUIREMENTS

Implementation may slip

Rulemaking, agency guidance, training, system changes, reviews, and contracting-officer support may slow.

NEW PROGRAMS & AWARDS

Highest timing exposure

Prior-year rates and new-start restrictions can delay solicitations, production increases, awards, and modifications.

DIRECT CR-TO-RULE EXAMPLE

The FY2027 CR delays through December 11 the finalization or implementation of a proposed OMB rule affecting federal grant award and administration.

CONTRACTOR RESPONSE: comply now, validate funding, and plan for uneven agency implementation.



Visual generated with Microsoft Copilot.

Policy watchlist: potential tailwinds and headwinds

Specific bills can change quickly. Track the provisions that alter demand, competition, cost, and compliance.

Potential benefits

- Defense and industrial-base investment
- Small-business set-asides or mentor-protégé expansion
- Accelerated payments and working-capital relief
- Acquisition reform that shortens cycle times

Potential drawbacks

- New compliance or reporting mandates
- Restrictions that delay new starts under a CR
- Domestic-content rules without pricing relief
- Contracting reforms that increase bid cost or protest risk

Use this as a screening framework. Confirm bill text, status, effective date, and agency implementation before acting.

The clock is ticking

Current continuing resolution funds agencies through

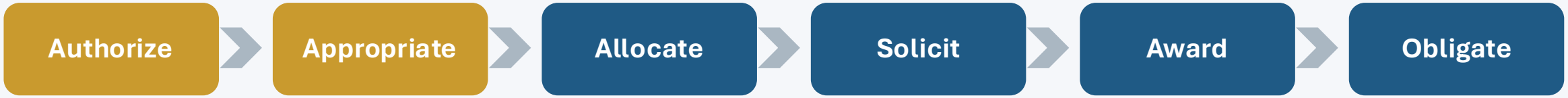
DECEMBER 11, 2026

Immediate action agenda

1. Confirm funded backlog and option timing
2. Segment pipeline by appropriation dependency
3. Refresh cash-flow scenarios
4. Pre-position teams, vehicles, and compliance files
5. Monitor final FY2027 appropriations

Legislative throughput is a timing risk

No FY2027 regular appropriations bill is enacted; the practical question is when budget authority becomes usable.



Where delays show up

- Shorter acquisition runways
- Continuing-resolution restrictions
- Deferred new starts or scope changes
- Compressed proposal and execution calendars

Management response

Maintain a rolling 90-day capture plan, distinguish funded from unfunded pipeline, and pre-position teaming and compliance materials.

Closing perspective

The opportunity remains meaningful, but winning requires disciplined selection and stronger execution.

1. **Protect cash** — Model award and payment timing under multiple funding scenarios.
2. **Protect margin** — Update labor, material, travel, escalation, and financing assumptions.
3. **Prioritize demand** — Focus on funded, mission-critical, vehicle-accessible opportunities.
4. **Prepare early** — Build teaming, compliance, and proposal assets before deadlines compress.

Questions and discussion

2026 midterms: projected change in congressional control

Both chambers are positioned to change party control when the 120th Congress organizes in January 2027.

HOUSE

Projected flip

Democratic control expected in the 120th Congress; final margins remain subject to state certification and House organization.

SENATE

Projected flip

Democratic control is indicated for the next Congress; unresolved or uncertified contests can still affect the final division.

IMPLICATIONS FOR GOVERNMENT CONTRACTORS

- Divided government increases negotiation risk across appropriations, taxes, regulation, and nominations.
- Committee chairs and oversight priorities will change, affecting hearings, investigations, and acquisition policy.
- Defense authorization may remain bipartisan, but program mix, industrial policy, and execution scrutiny can shift.

Status note: election outcomes shown as projected as of November 17, 2026; official certification and chamber organization control the final result.



Sources: House official leadership communication; U.S. Senate Finance Committee; U.S. Senate election information. Visual generated with Microsoft Copilot.

Likely agenda of the incoming majority

Early official statements emphasize affordability, accountability, health care, and congressional oversight.

AFFORDABILITY

Lower household costs; address energy, housing, health care, and tariff-related price pressure.

HEALTH CARE

Extend or restore coverage support, reduce prescription and insurance costs, and revisit Medicaid reductions.

TAX & TRADE

Increase tax enforcement and progressivity; reassert congressional authority over trade and tariffs.

OVERSIGHT

Use hearings, subpoenas, and appropriations controls for executive-branch and corporate accountability.

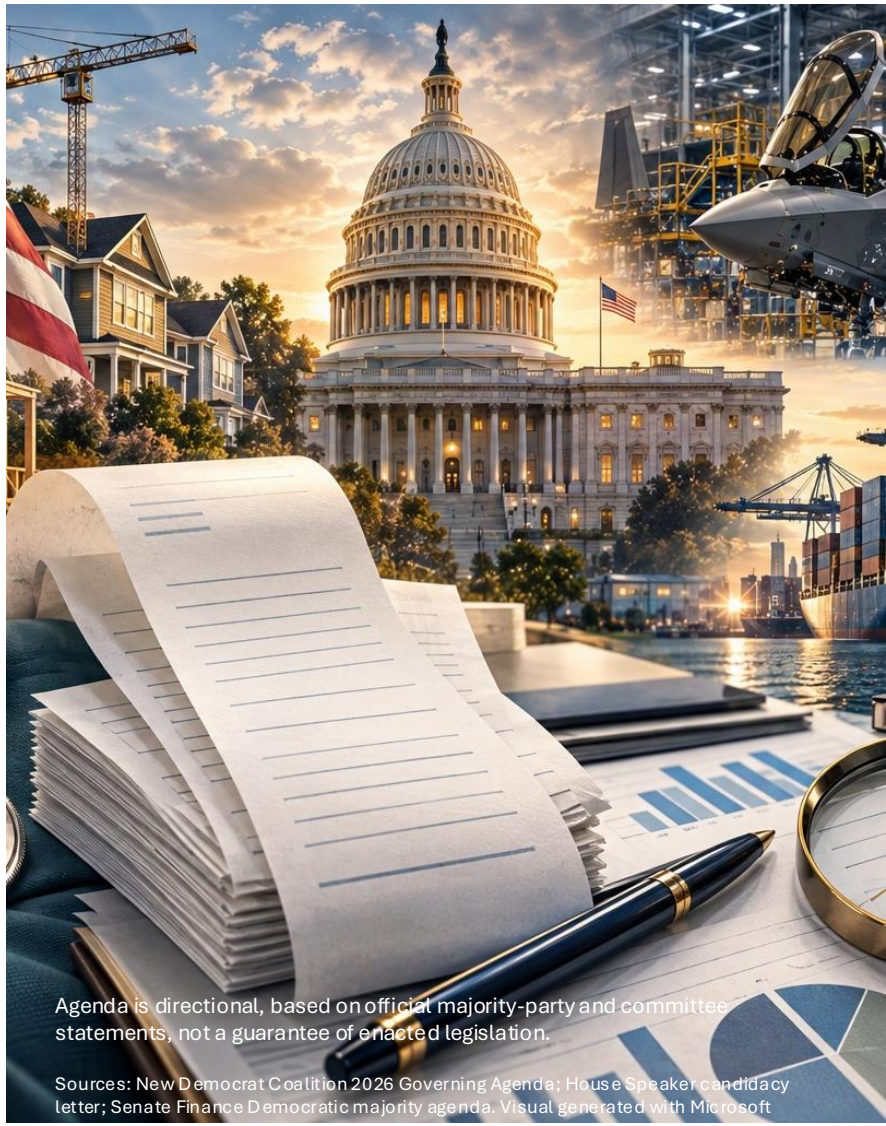
JOBS & INVESTMENT

Support workforce, housing supply, domestic manufacturing, infrastructure, and rural investment.

GOVERNANCE

Pursue voting, ethics, immigration, and institutional reforms, subject to Senate rules and presidential veto power.

CONTRACTOR LENS: expect more oversight and affordability pressure, but continued interest in defense readiness, domestic capacity, cybersecurity, and workforce.



Agenda is directional, based on official majority-party and committee statements, not a guarantee of enacted legislation.

Sources: New Democrat Coalition 2026 Governing Agenda; House Speaker candidacy letter; Senate Finance Democratic majority agenda. Visual generated with Microsoft

GAO leadership: continuity now, long-term influence ahead

The Acting Comptroller General has full authority while the nomination and confirmation process continues.

CURRENT STATUS

Orice W. Brown has served as Acting Comptroller General since December 30, 2025.

15 YEARS

Term of the next confirmed Comptroller General

INSULATED

Removal generally requires cause and congressional action or impeachment

WHY IT MATTERS

The appointee may serve across three or four presidential administrations, shaping GAO priorities while remaining institutionally independent of the executive branch.



Visual generated with Microsoft Copilot.

How GAO can reshape the political landscape

GAO does not set policy, but independent evidence can change hearings, appropriations, and legislation.

1

CONGRESS REQUESTS

Committees mandate or request audits, evaluations, investigations, and legal analysis.

2

GAO BUILDS THE RECORD

Fact-based findings identify cost, performance, legal, fraud, and implementation issues.

3

POLITICAL EFFECT

Findings support hearings, appropriations conditions, statutory changes, program protection, or termination.

Key distinction: influence comes from evidence and agenda-setting, not partisan policymaking.



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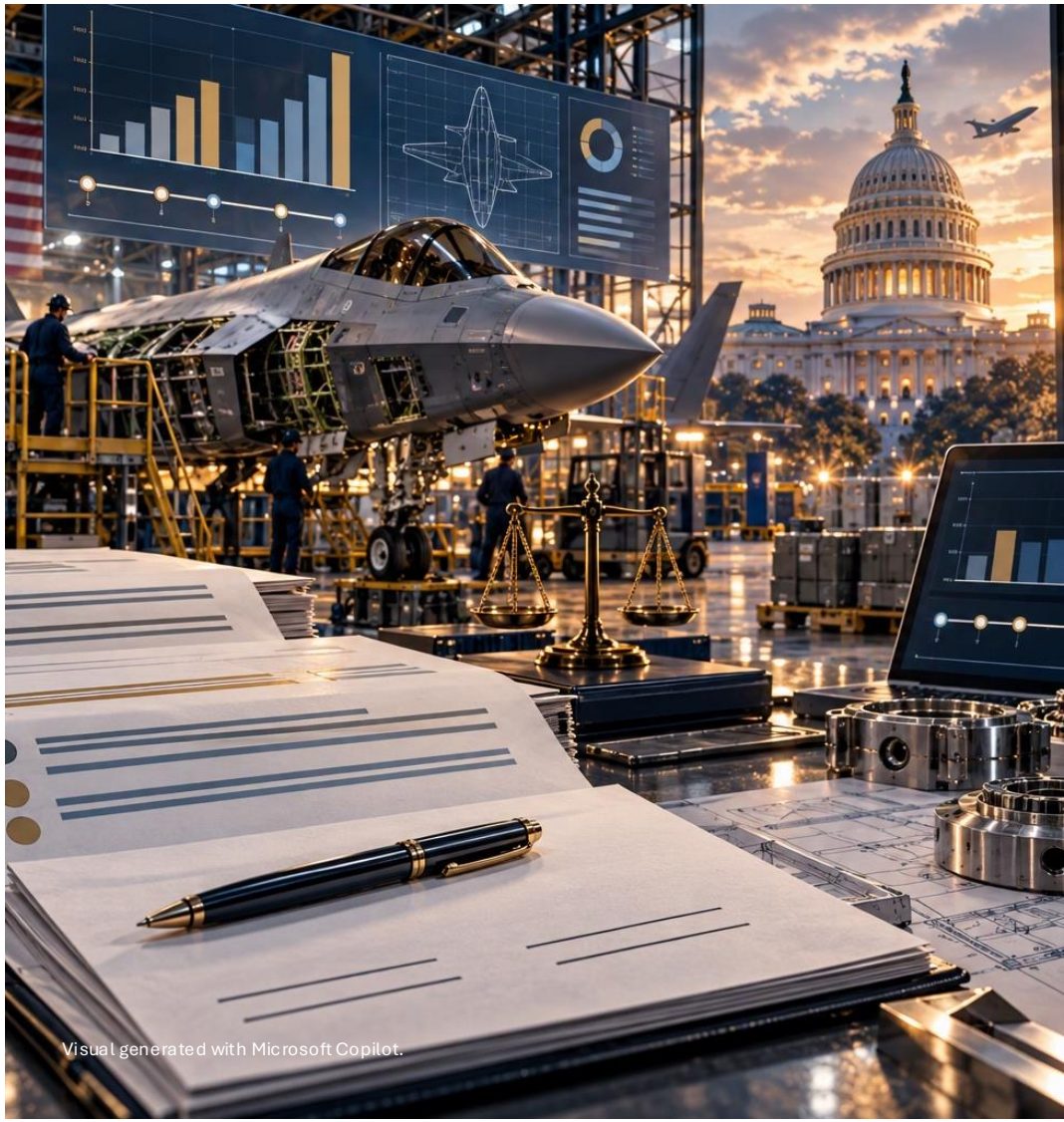
Contractor implications: higher spending can mean higher scrutiny

National security, fraud, emerging technology, cybersecurity, and health spending lead GAO's FY2027 priorities.

COST & SCHEDULE	Major-system affordability, baselines, earned value, and production realism.
COMPETITION	Acquisition strategy, sole-source justification, bid protests, and supplier concentration.
CYBER & AI	CMMC evidence, supply-chain risk, AI governance, data rights, and operational resilience.
FINANCIAL MANAGEMENT	Allowable costs, estimating systems, indirect rates, improper payments, and audit trails.
INDUSTRIAL BASE	Capacity, lead times, critical materials, workforce, and subcontractor oversight.

Prepared contractors win with credible cost, schedule, cybersecurity, and performance evidence.



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Gift Card Giveaways!



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Interactive Panel

Hosted by: Dominic Perry, CPA

Cranberry Office Managing Partner

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MEET THE PANELISTS



Amy Edmiston, CPA, CSEP, CNAP
Principal



Tom Seitz, CPA, CSEP
Chief Financial Officer



Kathleen Valentine, CPA
Principal

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Great Clients Make a Greater Tomorrow