

**FORSYTH EMA HOLDINGS, LLC  
AND SUBSIDIARIES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**For the years ended September 30, 2019 and 2018**

# FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	3
Consolidated Statements of Income and Comprehensive Income	4
Consolidated Statements of Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Management Report	31
<b>Supplementary Information</b>	
As of and for the year ended September 30, 2019:	
Consolidating Balance Sheet	36
Consolidating Statement of Income and Comprehensive Income	38
Consolidating Statement of Members' and Stockholders' Equity	39
Consolidating Statement of Cash Flows	40
As of and for the year ended September 30, 2018:	
Consolidating Balance Sheet	42
Consolidating Statement of Income and Comprehensive Income	44
Consolidating Statement of Members' and Stockholders' Equity	45
Consolidating Statement of Cash Flows	46



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## Report of Independent Auditors

The Board of Directors  
Forsyth EMA Holdings, LLC

We have audited the accompanying consolidated financial statements of Forsyth EMA Holdings, LLC and subsidiaries, which comprise the consolidated balance sheet as of September 30, 2019, and the related consolidated statements of income and comprehensive income, members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Forsyth EMA Holdings, LLC and subsidiaries at September 30, 2019, and the consolidated results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The consolidated financial statements of Forsyth EMA Holdings, LLC and subsidiaries for the year ended September 30, 2018 were audited by other auditors who expressed an unmodified opinion on those statements on December 4, 2018.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheet as of September 30, 2019, and the related consolidating statements of income and comprehensive income, members' and stockholders' equity and cash flows are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying management report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, accordingly, we express no opinion on it.

*Ernst + Young LLP*

November 27, 2019

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except unit and share data)

	September 30	
	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,710	\$ 7,495
Cash, client trust accounts	69,804	59,023
Accounts receivable, net	48,454	47,355
Unbilled revenue, net	19,732	22,395
Prepaid expenses and other assets	4,817	4,034
Income tax receivable	736	80
Total current assets	<b>151,253</b>	140,382
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>6,199</b>	6,049
<b>OTHER ASSETS</b>		
Goodwill	60,371	59,906
Intangibles, net	49,963	57,606
Deferred tax assets, net	981	330
Other assets	503	316
Total other assets	<b>111,818</b>	118,158
Total assets	<b>\$ 269,270</b>	<b>\$ 264,589</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Notes payable, current portion	\$ 38,551	\$ 9,991
Accounts payable and accrued expenses	11,181	8,904
Accrued compensation	20,556	25,093
Client trust accounts	69,804	59,023
Contingent consideration, current portion	347	-
Deferred revenue, current portion	602	1,306
Accrued share-based compensation, current portion	4,014	4,082
Other current liabilities	916	889
Total current liabilities	<b>145,971</b>	109,288
<b>OTHER LIABILITIES</b>		
Notes payable, less current portion	1,937	37,035
Contingent consideration, less current portion	7,463	7,218
Accrued share-based compensation, less current portion	13,697	11,279
Deferred rent, less current portion	2,570	2,849
Other liabilities	15	86
Total liabilities	<b>171,653</b>	167,755
<b>MEMBERS' EQUITY</b>	<b>97,617</b>	96,834
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 269,270</b>	<b>\$ 264,589</b>

See accompanying notes.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(In thousands, except unit and share data)

	<b>Years ended September 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Revenue, net	<b>\$ 302,680</b>	\$ 300,141
Operating expenses		
Cost of revenues	<b>174,854</b>	176,246
Selling, general and administrative expenses	<b>101,178</b>	96,942
Depreciation and amortization expenses	<b>10,562</b>	10,733
Remeasurement of contingent consideration	<b>(228)</b>	(14,470)
Intangible asset impairment	<b>—</b>	333
Total operating expenses	<b>286,366</b>	269,784
<b>Income from operations</b>	<b>16,314</b>	30,357
Other income (expense):		
Interest expense, net	<b>(2,304)</b>	(2,234)
<b>Income before income taxes</b>	<b>14,010</b>	28,123
Provision for income taxes	<b>5,420</b>	6,765
<b>Net income</b>	<b>8,590</b>	21,358
Other comprehensive income (loss)		
Foreign currency translation gain (loss)	<b>(640)</b>	(288)
<b>Comprehensive income</b>	<b>\$ 7,950</b>	\$ 21,070

*See accompanying notes.*

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**  
(In thousands, except unit and share data)

	<b>Class A Units</b>	<b>Amount</b>
<b>Balance at September 30, 2017</b>	36,993,934	\$ 80,833
Class A unit redemptions	(981,939)	(5,447)
Class A unit issuances	67,638	378
Foreign currency translation	–	(288)
Net income	–	21,358
<b>Balance at September 30, 2018</b>	<b>36,079,633</b>	<b>\$ 96,834</b>
Class A unit redemptions	(1,136,505)	(7,796)
Class A unit issuances	92,047	629
Foreign currency translation	–	(640)
Net income	–	8,590
<b>Balance at September 30, 2019</b>	<b>35,035,175</b>	<b>\$ 97,617</b>

*See accompanying notes.*

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands, except unit and share data)

	Years ended September 30	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 8,590	\$ 21,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	10,562	10,733
Bad debt expense	549	675
Loss on disposal of property and equipment	-	32
Deferred taxes	(651)	(996)
Shared based compensation expense	5,381	6,336
Remeasurement of contingent consideration	(228)	(14,470)
Intangible asset impairment loss	-	333
Non-cash amortization of debt discount	52	52
Changes in operating assets and liabilities:		
Accounts receivable	(1,069)	10,075
Unbilled revenue	2,702	8,245
Prepaid expenses and other assets	(784)	(106)
Accounts payable and accrued expenses	2,193	(835)
Accrued compensation	(4,537)	(9,035)
Deferred revenue	(704)	(490)
Deferred rent	(279)	(141)
Income taxes payable/receivable	(656)	(2,085)
Other assets/liabilities	(283)	(383)
Net cash provided by operating activities	<b>20,838</b>	29,298
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,293)	(1,911)
Cash paid for acquisition, net of cash acquired	(745)	(1,791)
Net cash used in investing activities	<b>(3,038)</b>	(3,702)
<b>FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(22,242)	(32,134)
Borrowings on notes payable	14,543	8,000
Proceeds from issuance of Class A Units	99	176
Redemption of Class A Units	(7,034)	(3,661)
Shared based compensation redemptions	(3,031)	(100)
Net cash used in financing activities	<b>(17,665)</b>	(27,719)
Effects of foreign currency on cash	80	(165)
<b>NET CHANGE IN CASH</b>	<b>215</b>	(2,288)
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b>7,495</b>	9,783
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b>\$ 7,710</b>	\$ 7,495
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 2,235	\$ 1,954
Income taxes paid	6,525	9,804
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES</b>		
Class A Units issued for acquisition	530	193
Issuance of note payable for share redemption	762	1,786

See accompanying notes.



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 1 – COMPANY OPERATIONS**

**Description of the Business**

Forsyth EMA Holdings, LLC and Subsidiaries, (the “Company”) is a multi-line commercial and personal-line insurance claims adjuster, claims administrator, forensic consultant and provider of technical restoration and machine repairs operating in the United States and internationally. The Company offers services related to commercial and personal-lines claims adjusting, third-party claims administration, and forensic consulting. The Company’s forensic consulting services include engineering, fire investigation, equipment loss consulting, digital and cyber forensics and equipment restoration services.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements. The policies conform to accounting principles generally accepted in the United States of America (“GAAP”) and have been consistently applied in the preparation of the consolidated financial statements.

**Principles of Consolidation**

The consolidated financial statements include the accounts of Forsyth EMA Holdings, LLC, its direct wholly-owned subsidiary Forsyth Mezzanine, Inc. as well as indirectly wholly owned subsidiaries Cor Partners, Inc., Engle Martin & Associates, LLC (“Engle Martin”), Eberl Claims Service, LLC (“Eberl”), Alliance Holdings, LLC, Alliance MRP, Inc., Envista Forensics, LLC, Envista Forensics Ltd., Envista Forensics PTE, Ltd., Envista Forensics PTY, Ltd., Envista Forensics PR LLC, LWG UK Consulting Ltd., Arepa Holding Denmark ApS, Arepa A/S, Arepa Danmark A/S, Arepa Sverige AB, Arepa Holding BV, Arepa Benelux B.V., Inspexx B.V., LWG Forensics, Inc. and LWG Consulting Mexico S.A. de C.V., (collectively the “Company”). All intercompany transactions and balances have been eliminated on consolidation.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents represent cash available in various banks. Cash and cash equivalents include instruments with three months or less maturity.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Concentration of Credit Risk**

The Company maintains its cash in bank accounts, which at times may exceed federally insured limits. The Company does not believe it is exposed to any significant credit risk in such accounts as the Company maintains its cash and investments with what management believes to be quality financial institutions. Management has determined this as a normal business risk.

Revenue from one customer represented 25 percent and 23 percent of total revenue for the years ended September 30, 2019 and 2018, respectively, and 13 percent and 18 percent of accounts receivable, net at September 30, 2019 and 2018, respectively.

**Revenue Recognition**

The Company derives substantially all of its revenue from professional services related to claim service agreements.

The Company's fee and other revenue is primarily comprised of claims processing and program administration fees. Service revenue is recognized by providing field investigation and evaluation of claims for insurance companies, loss reporting services and mitigation services, risk management information services and forensic consulting services as the services are performed.

The Company uses the proportional performance model to recognize revenue and cost of revenue on fixed-fee contracts. Revenue is recognized based on the proportion of the contract performed. Revenue and cost of revenue on time and material engagements are recognized as services are performed.

Deferred revenue represents billings in excess of revenue earned. Deferred revenue represents the estimated unearned portion of fees derived from certain fixed-fee service agreements. For fixed-fee service arrangements, the Company typically handles claims on either a one-year or two-year basis, or for the lifetime of the claim. For non-lifetime basis claims, the revenue is recognized on a straight-line basis over the contractually stated service period, as we believe this most accurately represents the pattern of the services being transferred to the customer. For lifetime basis claims, the Company receives one fee for the life of the claim, regardless of the ultimate duration of the claim. Revenue for these lifetime service arrangements is recognized based on the estimated rate at which the services are provided, and deferred revenue is recognized for the estimated services remaining to be performed as of period end. The rates at which services are estimated to be provided are based on a historical evaluation of actual claim closing rates by major line of coverage, applied to open claims.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fees for professional services are recognized in unbilled revenue, net at the time such services are rendered, at estimated collectible amounts. Substantially all unbilled revenue is billed within one year. The Company calculates an allowance for unbilled revenue based on a percentage of unbilled revenue for invoice adjustments, unbillable time and customer discrepancies based upon a detailed analysis of historical adjustments applied to the period end amounts. As of September 30, 2019 and 2018, the allowance for unbilled revenue was \$754 and \$883, respectively.

As part of ongoing operations to provide services to customers, incidental expenses, if reimbursable under the terms of the contracts, are billed to customers. These expenses billed to customers are recorded as both revenues and direct cost of revenues and include expenses such as airfare, mileage, hotel stays, out-of-town meals and telecommunication charges.

**Cost of Revenues**

Cost of revenues includes annual compensation (excluding share-based compensation expense) and related fringe benefits for direct labor, billable contract labor and billable expenses. In addition, it includes certain non-directly billable expenses necessary for delivery of a project, including expenses such as supplies and license fees.

**Foreign Currency Transactions**

The Company records foreign currency transactions at the exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are included in operating expenses.

**Foreign Currency Translations**

The functional currencies of the Company's foreign operations are the local currencies. The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. Any resulting translation adjustments are reported in accumulated other comprehensive income, a component of members' equity.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable, Net**

The Company's trade receivables consist of amounts billed for services performed, or to be performed, that remain outstanding from customers that are predominately major insurance companies, underwriters, and large entities that are self-insured. The Company routinely assesses the financial strength of its customers and believes that accounts receivable are stated at their net realizable value and credit risk exposure is limited. Generally, the Company does not require collateral for its accounts receivable.

The Company also maintains an allowance for doubtful accounts based upon the expected collectability of accounts receivable. When specific amounts are determined to be uncollectible, they are charged to the allowance concurrent with such determination.

As of September 30, 2019 and 2018, the allowance for doubtful accounts was \$2,847 and \$2,739, respectively.

**Property and Equipment**

Property and equipment are recorded at cost, net of accumulated depreciation. The straight-line method is used for computing depreciation on substantially all property and equipment, which ranges from 3 to 10 years. Leasehold improvements are amortized over the shorter of the assets' useful lives or the term of the lease.

**Impairment of Long-Lived Assets**

The Company's long-lived assets, such as property and equipment and intangible assets with definite lives are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of these assets may not be recoverable. When such events or changes in circumstances occur, recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the year ended September 30, 2018, there was an impairment loss of \$333 recognized on trade names, refer to Note 7.

**Goodwill**

For identified intangible assets acquired in business combinations, the Company allocates purchase consideration based on the fair value of intangible assets acquired.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Goodwill represents the excess of cost over the fair value of net tangible and identifiable intangible assets acquired and is generally made up of expected synergies from combining the operations of the Company's acquirees into our operations.

The Company evaluates goodwill for impairment on an annual basis, or more frequently if management believes indicators of impairment exist. This impairment analysis is performed at the reporting unit, which the company has determined to be the entity level. The first step assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, management conducts a quantitative goodwill impairment test. This involves comparing the fair values of the reporting unit using a combination of the income, or undiscounted cash flows approach and the market approach, which utilizes comparable companies' data. The amount by which the carrying value of the reporting unit exceeds the reporting unit's fair value, if any, is recognized as an impairment loss, not to exceed the carrying value of goodwill. The Company's evaluation of goodwill at September 30, 2019 and 2018 resulted in no impairment loss.

**Intangible Assets**

Intangible assets with finite lives are amortized over their respective useful lives, which range from 2 to 20 years. Amortizable intangible assets include non-competition agreements, customer relationships, trade names and unpatented technology.

**Income Taxes**

Income tax expense includes federal, state and foreign taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes.

Income taxes are provided at the applicable rates on the basis of items included in the determination of income for income tax purposes. The Company's effective tax rate may be different than what would be expected if the federal, state and foreign statutory rates were applied to income from continuing operations primarily because of amounts expensed for financial reporting that are not deductible for tax purposes and items taxable for tax purposes or deductible for tax purposes which are not includable for financial reporting. The significant permanent differences are share based compensation, contingent consideration and changes to the valuation allowance.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company accounts for uncertainty in income taxes by establishing the minimum recognition threshold that an income tax position is required to meet before being recognized in the financial statements, for all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. As of September 30, 2019 and 2018, there were no uncertain tax positions that require accrual or adjustment.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. Subsequent to September 30, 2017, the Company was notified that its 2016 federal income tax return was under review by the Internal Revenue Service. During the year-ended September 30, 2018, the Company was notified that the Internal Revenue Service finalized its review of the 2016 U.S. federal income tax return with no adjustments made to reported tax. With few exceptions, the Company is no longer subject to U.S. federal, state or local tax examinations by tax authorities for years before 2018.

**Deferred Income Taxes**

Deferred income taxes are provided for timing differences between financial reporting and income tax purposes. Deferred income taxes are computed on the liability method and deferred tax assets are recognized only when realization is more likely than not. Deferred income taxes are calculated based on the enacted rate applicable when the temporary differences are estimated to reverse.

**Fair Value of Financial Instruments**

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Level 2 – Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Share-based compensation:* Each unit award is determined using an Economic Value Added ("EVA") methodology. The EVA methodology relies extensively on discounted future cash flows.

*Contingent Purchase Consideration:* Valued based on the Monte Carlo Simulation Model which relies upon the net present value of expected future cash flows, projected earnings and consideration payments.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in different fair value measurements at the reporting date.

The fair value of the above liabilities as of the reporting date is determined using significant unobservable inputs or Level 3 in the fair value hierarchy.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair values of liabilities measured at fair value on a recurring basis are as follows at September 30:

	<u>2019</u>		<u>2018</u>
Share-based compensation	\$ 17,711	\$	15,361
Contingent consideration	7,810		7,218
Total liabilities	<u>\$ 25,521</u>	<u>\$</u>	<u>22,579</u>

The following table sets forth a summary of changes in the fair value of the Company's level three liabilities:

	<u>2019</u>		<u>2018</u>
Balance, October 1	\$ 22,579	\$	30,813
Remeasurement of contingent consideration	(228)		(14,470)
Increase in contingent consideration due to acquisitions	820		–
Share-based compensation redemptions	(3,031)		(100)
Share-based compensation expense	5,381		6,336
Balance, September 30	<u>\$ 25,521</u>	<u>\$</u>	<u>22,579</u>

**Share-Based Compensation**

The Company accounts for its share-based compensation plans in accordance with the provisions of ASC 718, Share-Based Payment. ASC 718 requires companies to recognize expense related to the fair value or intrinsic value of share-based compensation awards, including employee stock options. In accordance with the Company's limited liability agreement, the Company is authorized to issue Class B, C, D, E, F, G, H, I, J, K, L and M units of Forsyth EMA Holdings, LLC. Classes B through M represent profits interest units and do not convey any ownership or voting rights in the Company. The units vest ratably over a five-year period. The units are accounted for using the intrinsic value method. Compensation cost and the related liabilities equal to the increase in the intrinsic value of the units over the estimated intrinsic value at the date of grant are recognized over the five-year service period. The units are re-measured at each reporting date and are settled upon redemption in cash.

**Other Comprehensive Income**

GAAP requires that recognized revenue, expenses, gains and losses be included in income. However, certain changes in assets and liabilities such as foreign currency translation adjustments are reported as a direct adjustment to members' equity. These adjustments along with net income are considered components of comprehensive income.



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accumulated other comprehensive income at September 30, 2019 and 2018 is comprised of foreign currency translation gains of \$209 and \$849, respectively.

**Reclassification**

Certain reclassifications have been made to the prior year consolidated financial statements in order to conform to current year presentation.

**Subsequent Events**

The Company has performed a review of events subsequent to the consolidated balance sheet date through November 27, 2019, the date the consolidated financial statements were available to be issued and has determined there are no material events that have occurred during the period.

**Recent Accounting Pronouncements – Adopted in Current Period**

**Stock Compensation:**

In March 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-09, Compensation – Stock Compensation (Topic 718). The objective of this update is to simplify various aspects of the accounting for share-based payment transactions. The new guidance is effective for the Company in 2019. The adoption of the new guidance had no material impact to the Company’s consolidated financial statements. The Company use the intrinsic method to value unit awards and accounts for forfeitures in the period that they occur.

**Goodwill:**

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350), which simplifies the test for goodwill impairment by eliminating Step 2 from the goodwill impairment test. In accordance with the standard, the Company performs an annual or interim goodwill impairment test by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge if necessary. As permitted by the standard, the Company early adopted ASU 2017-04 in 2019. The adoption of ASU 2017-04 had no material impact to the Company’s consolidated financial statements.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements – Adoption in Future Periods**

Revenue from Contracts with Customers:

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service and requires expanded disclosures. This update is effective for fiscal years beginning on or after December 31, 2018 for private companies.

The Company will adopt this new standard as of October 1, 2019 using the modified retrospective approach. The Company is in the process of reviewing contracts with its customers related to the Company's significant revenue streams and applying the guidance in the new standard to those contracts. The Company expects that revenue for all primary revenue streams will be recognized over time, consistent with the Company's current revenue recognition; however, the assessment of the new standard is ongoing and subject to finalization.

Leases:

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), in order to increase transparency and comparability among organizations by recognizing a right of use asset and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new accounting standard is effective for the annual reporting period beginning after December 15, 2020. Early adoption is permitted. Management is currently assessing the impact of the adoption of this standard will have on the Company's consolidated financial statements.

Internal Use Software:

In August 2018, the FASB issued ASU No. 2018-15, Internal-Use Software (Subtopic 350-40). The ASU addresses customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The amendments in this ASU align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard is effective for years beginning after December 15, 2020. Early adoption is permitted. Management is currently assessing the impact of the adoption of this standard on the Company's consolidated financial statements.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 3 – RELATED-PARTY TRANSACTIONS**

The Company pays management fees to a related party through common ownership based on a signed agreement. Management fee expense for both years ended September 30, 2019 and 2018 totaled \$1,120. The management fee is included in selling, general and administrative expenses in the income statement.

**NOTE 4 – CLIENT TRUST ACCOUNTS / CLIENT TRUST LIABILITIES**

The Company holds certain client cash balances, which are considered to be a direct claim against the Company. These accounts are in the Company’s name but represent a direct claim as they relate to customer’s funds. These balances are included on the consolidated balance sheet in cash – client trust accounts with an equal offsetting liability in client trust accounts.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 2,890	\$ 2,543
Computer equipment and software	5,728	4,922
Leasehold improvements	3,515	3,424
Equipment	567	350
Construction in process	473	288
	<u>13,173</u>	<u>11,527</u>
Accumulated depreciation	<u>(6,974)</u>	<u>(5,478)</u>
Property and equipment, net	<u>\$ 6,199</u>	<u>\$ 6,049</u>

For the years ended September 30, 2019 and 2018, depreciation expense totaled \$2,103 and \$1,903, respectively.

**NOTE 6 – BUSINESS COMBINATIONS**

**Carwood Claims Services, Inc.**

On November 30, 2018, Eberl Claims Services, LLC acquired the assets of Carwood Claims Services, Inc. (“Carwood”). Carwood is engaged in the business of providing property claims adjusting, loss consulting, appraisal and dispute resolution services to customers primarily in the Western United States.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 6 – BUSINESS COMBINATIONS (Continued)**

Carwood was acquired for total consideration of \$2,475. The consideration consisted of \$745 cash, note payable to seller of \$380, contingent consideration of \$820 and \$530 of the Company's Class A equity units. The Company issued 77,713 Class A units which were measured at the intrinsic value of the underlying units on the date of issuance. The contingent consideration component is based on the fair value of the estimated earn-out payments over the three years following the close date. Such payments are dependent on the acquired business reaching certain revenue targets in each period. Total possible contingent consideration is \$1,041.

The Company accounted for this business combination using the purchase method and recorded acquired assets and liabilities at their estimated fair value with the excess purchase price over the net assets acquired recorded as goodwill. Goodwill arising from the acquisition is tax deductible.

The fair value of the intangibles acquired was determined using the income, market and cost approaches which includes an assessment of the risk adjusted present value of future cash flows, using discount rates based on observable or Level 3 inputs. The fair value of the intangibles includes a tax amortization benefit. The fair value of working capital assets and liabilities were determined based on estimated amounts collectible or payable.

The final purchase price allocation based on the fair value of the assets acquired and liabilities assumed as of November 30, 2018 is presented below:

Cash paid	\$ 745
Note payable to seller	380
Intrinsic value of Class A units	530
Contingent consideration	820
Total purchase price	<u>\$ 2,475</u>
Accounts receivable	\$ 579
Unbilled revenue	38
Customer relationships	1,130
Tradenames	60
Covenant not to compete	10
Goodwill	741
Total assets acquired	<u>2,558</u>
Accounts payable and accrued expenses	<u>83</u>
Total liabilities assumed	<u>83</u>
Net assets acquired	<u>\$ 2,475</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 6 – BUSINESS COMBINATIONS (Continued)**

**SAMAC Engineering LTD.**

On March 31, 2018, Envista Forensics LTD acquired substantially all the outstanding stock of SAMAC Engineering LTD, a company incorporated in the Province of Alberta, Canada (“SAMAC”) for a total consideration of \$2,367. The consideration consisted of \$1,742 in cash, net of cash acquired of \$254, notes payable to seller of \$432 and \$193 of the Company’s Class A units. The Company issued 35,133 of the Company’s Class A units which were measured at the intrinsic value of the underlying units on the date of issuance.

SAMAC, which operates solely in Canada, provides forensic engineering services primarily to commercial insurance carriers. The acquisition expands Envista Forensics LTD’s Canadian operations into Calgary and more broadly across the Province of Alberta. Goodwill arising from the acquisition is not deductible for tax purposes.

**NOTE 7 – GOODWILL AND INTANGIBLE ASSETS**

The changes in the carrying amount of goodwill are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of period	\$ 59,906	\$ 57,909
Acquisitions	741	275
Measurement period adjustments	–	1,738
Effect of changes in exchange rates	<u>(276)</u>	<u>(16)</u>
Balance at end of period	<u>\$ 60,371</u>	<u>\$ 59,906</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 7 – GOODWILL AND INTANGIBLE ASSETS (Continued)**

The changes in the carrying amount of intangible assets are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of period	\$ 57,606	\$ 66,043
Acquisitions	1,200	827
Effect of exchange rates	(384)	(101)
Impairment loss	–	(333)
	<u>58,422</u>	<u>66,436</u>
Less: amortization expense	8,459	8,830
Balance at end of period	<u>\$ 49,963</u>	<u>\$ 57,606</u>

During the year ended September 30, 2018, the Company recorded an impairment loss of \$333 as a result of rebranding certain historical trade names.

Intangible assets consist of the following at September 30, 2019:

	<b>Weighted Average Useful Lives</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Trade names and trademarks	16	\$ 17,299	\$ 5,573	\$ 11,726
Customer relationships	14	47,430	19,458	27,972
Non-compete agreements	5	19,978	15,082	4,896
Unpatented technology	8	11,791	6,422	5,369
		<u>\$ 96,498</u>	<u>\$ 46,535</u>	<u>\$ 49,963</u>

Intangible assets consist of the following at September 30, 2018:

	<b>Weighted Average Useful Lives</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Trade names and trademarks	16	\$ 17,364	\$ 4,403	\$ 12,961
Customer relationships	13	46,533	16,269	30,264
Non-compete agreements	4	20,060	12,639	7,421
Unpatented technology	8	11,821	4,861	6,960
		<u>\$ 95,778</u>	<u>\$ 38,172</u>	<u>\$ 57,606</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 7 – GOODWILL AND INTANGIBLE ASSETS (Continued)**

Amortization expense for the years ended September 30, 2019 and 2018 totaled \$8,459 and \$8,830, respectively.

Estimated future amortization expense for the next five years and in the aggregate is as follows:

<u>Years ending September 30</u>	
2020	\$ 7,947
2021	7,622
2022	5,437
2023	4,694
2024	3,936
Thereafter	<u>20,327</u>
	<u>\$ 49,963</u>

**NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<u>2019</u>	<u>2018</u>
Accounts payable and accrued expenses		
Trade accounts payable	\$ 3,166	\$ 3,484
Accrued expenses	5,479	3,998
Accrued sales and other tax	2,536	1,422
Accounts payable and accrued expenses	<u>11,181</u>	<u>8,904</u>
Accrued compensation		
Accrued payroll	4,554	6,281
Accrued payroll taxes and withholdings	1,224	1,333
Accrued bonus	10,927	13,729
Accrued vacation	3,851	3,750
Accrued compensation	<u>\$ 20,556</u>	<u>\$ 25,093</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 9 – NOTES PAYABLE**

**Note Payable**

The Company has a note payable to three financial institutions with an original principal balance of \$65,000, maturing August 2020. The Company expects to refinance the note over the next year at similar commercial terms. The note calls for principal payments of \$6,000 annually, payable in quarterly installments. Payments escalate each year with an increase to \$8,250 in 2019, and \$35,187 in 2020. The note has a consolidated excess cash flow provision, which requires the Company to make principal repayments per the terms of the agreement within 120 days after the end of each year unless certain leverage levels are achieved. No excess cash flow payment was due for the years ended September 30, 2019 and 2018.

The note bears variable interest based on either the LIBOR rate plus an applicable margin or a base rate, as defined by the arrangement, plus an applicable margin, both margins based on the calculated consolidated leveraged ratio. Amounts outstanding under the note payable during 2019 carried an interest rate ranging from 4.13% to 4.62% (effective rate of 4.13% at September 30, 2019). The note is secured by substantially all of the assets of the Company and is subject to financial covenants, including a consolidated leverage ratio and consolidated fixed charge coverage ratio. At September 30, 2019 and 2018, the Company is in compliance with these covenants.

**Revolving Credit Arrangement**

The Company has a revolving credit arrangement with three financial institutions with a maximum borrowing limit of \$20,000 maturing August 2020. The arrangement bears variable interest based on either the LIBOR rate plus an applicable margin or a base rate, as defined by the arrangement, plus an applicable margin, both margins based on the calculated consolidated leveraged ratio. Amounts outstanding under the revolving credit arrangement during 2019 carried an interest rate ranging from 3.92% to 6.25%. The revolving credit arrangement is secured by substantially all assets of the Company. As of September 30, 2019 and 2018, the Company was in compliance with the financial covenants.

The Company has a standby letter of credit agreement under the revolving credit arrangement. As of September 30, 2019 and 2018 there were \$3,351 and \$2,801, respectively, in standby letter of credits issued under this facility.

**Note Payable Carwood**

The Company has a subordinated note payable to the former owner of Carwood with an original principal balance of \$380. The note bears interest of 5% per annum, is payable in two installments on the second and fourth anniversary of the acquisition and is unsecured.



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 9 – NOTES PAYABLE (Continued)**

**Note Payable SAMAC**

The Company has a subordinated note payable to a former owner of SAMAC with an original principal balance of 480 Canadian Dollars or \$352. The note bears interest of 5% per annum and is payable quarterly. The note is unsecured and is payable in full at maturity in March 2020.

**Notes Payable Unit Repurchases**

The Company has notes payable to former employees with original principal balances of \$2,918. The notes require annual payments ranging from \$190 to \$730, plus quarterly interest payments at the prime rate plus 1% (effective rate of 6% at September 30, 2019). The notes are unsecured and mature through August 2023.

Notes Payable consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Note payable	\$ 35,187	\$ 43,437
Revolving credit arrangement	2,250	–
Notes payable Arepa	–	779
Notes payable SAMAC	352	370
Notes payable unit repurchases	2,286	2,487
Notes payable Carwood	380	–
Other	80	52
Unamortized debt discount	(47)	(99)
	<u>40,488</u>	<u>47,026</u>
Less portion due within one year	38,551	9,991
Long-term portion	<u>\$ 1,937</u>	<u>\$ 37,035</u>

Minimum future long-term debt payments for each of the next four years are as follows:

<u>Years ending September 30</u>	<u>Minimum Future Payments</u>
2020	\$ 38,551
2021	920
2022	636
2023	381
	<u>\$ 40,488</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 10 – CONTINGENT CONSIDERATION**

As of September 30, 2019 and 2018, the Company had a contingent consideration liability of \$7,810 and \$7,218, respectively. This liability is a result of 2015 and 2019 acquisitions and it is recorded on the balance sheet at fair value based on the expected timing of payment. Adjustments are based on changes in the estimated fair value of the earn-out provision. The earn-out payments are contingent and are based on the achievement of certain financial targets such as revenue and EBITDA achievements. The measurement periods related to the earn-out liability recorded range from 2015 through 2021.

During the year ended September 30, 2019 contingent consideration of \$820 was recorded as a result of the Carwood acquisition (see Note 6 – Business Combinations). During the years ended September 30, 2019 and 2018, a remeasurement gain of \$228 and \$14,470, respectively was recorded. The gain is as a result of changes in the estimated fair value of earn-out provisions based on revised actual and expected results for acquired businesses.

**NOTE 11 – MEMBER UNITS AND COMMON STOCK**

At September 30, 2019, Forsyth EMA Holdings, LLC had 35,035,175 Class A units, with a stated value of \$1.00 per unit, authorized, issued and outstanding. At September 30, 2018, Forsyth EMA Holdings, LLC had 36,079,633 Class A units, with a stated value of \$1.00 per unit, authorized, issued and outstanding.

Members holding Class A units have limited liability up to the value of such member's capital contribution to the Company.

**NOTE 12 – SHARE-BASED COMPENSATION**

In accordance with the Limited Liability Agreement, the Company is authorized to issue Classes B through M units of Forsyth EMA Holdings, LLC. These units are intended to constitute profit interests. These units do not have any voting rights, but offer the holder to participate in the appreciation of Class A units at levels above \$1.00 per unit for Class B, \$1.50 per unit for Class C, \$2.57 per unit for class D, \$2.64 per unit for Class E units, \$2.88 for class F units, \$3.97 for Class G units, \$4.02 for Class H units, \$4.32 for Class I units, \$5.40 for Class J units, \$5.71 for Class K units, \$6.82 for Class L units, and \$6.99 for Class M units. The intrinsic value of the Class A units at September 30, 2019 and 2018 was \$8.30 and \$6.82, respectively.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 12 – SHARE-BASED COMPENSATION (Continued)**

Each unit vests ratably over a five-year period. The members have a right to require the Company to purchase a number of units equal to the applicable put portion as defined in the agreement, up to an amount of 30% and 60%, of such vested units, at five years and seven years, respectively. Accrued share-based compensation, current portion on the consolidated balance sheet represents the applicable put portion as of September 30, 2019 for all profits interest units. Upon termination of employment for any reason other than death or disability, all units not vested will be immediately cancelled. Settlement of the awards is expected to be settled upon redemption in cash.

The intrinsic value of each unit award is determined using an Economic Value Added (“EVA”) methodology. Profits Interests are re-measured at each financial reporting date through the date of settlement. The vested portion of the intrinsic value of units outstanding, which is recorded as a liability on the accompanying consolidated balance sheet, was \$17,711 and \$15,361 as of September 30, 2019 and 2018, respectively.

Compensation expense that has been charged against income for profit interests was \$5,381 and \$6,336 in 2019 and 2018, respectively. There is no income tax benefit associated with share-based compensation arrangements. There was \$2,635 and \$3,104 of total unrecognized compensation cost related to non-vested unit based compensation arrangements at September 30, 2019 and 2018, respectively.

Following is a schedule showing the change in the accrued share-based payment liability at September 30:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 15,361	\$ 9,125
Share-based compensation expense	5,381	6,336
Shared-based compensation redemptions	(3,031)	(100)
Ending balance	<u>\$ 17,711</u>	<u>\$ 15,361</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 12 – SHARE-BASED COMPENSATION (Continued)**

A summary of unit activity (in thousands) is presented below:

For the year ended September 30, 2019:

Share-Based Compensation	Class B	Class C	Class D	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M	Total	Average price per unit
Outstanding at September 30, 2018	1,178	762	78	475	840	255	223	23	325	60	–	–	4,219	\$ 2.44
Units granted	–	–	–	–	–	–	–	–	–	–	295	70	365	6.86
Units forfeited	–	–	–	–	(87)	(82)	–	–	(54)	(50)	–	–	(273)	4.23
Units repurchased	(407)	(40)	(50)	–	(20)	(23)	–	–	(14)	–	–	–	(554)	1.48
Outstanding at September 30, 2019	771	722	28	475	733	150	223	23	257	10	295	70	3,757	\$ 2.89
Vested at September 30, 2019	771	722	28	475	587	90	134	9	51	2	–	–	2,869	\$ 2.13

For the year ended September 30, 2018:

Share-Based Compensation	Class B	Class C	Class D	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M	Total	Average price per unit
Outstanding at September 30, 2017	1,178	762	78	475	860	305	223	23	–	–	–	–	3,904	\$ 2.17
Units granted	–	–	–	–	–	–	–	–	325	60	–	–	385	5.41
Units forfeited	–	–	–	–	(8)	(11)	–	–	–	–	–	–	(19)	3.50
Units repurchased	–	–	–	–	(12)	(39)	–	–	–	–	–	–	(51)	3.72
Outstanding at September 30, 2018	1,178	762	78	475	840	255	223	23	325	60	–	–	4,219	\$ 2.36
Vested at September 30, 2018	1,178	762	78	380	504	102	89	5	–	–	–	–	3,098	\$ 1.86

**NOTE 13 – OPERATING LEASES**

The Company leases office, operating facilities and equipment under non-cancelable operating leases. Monthly payments under these leases range from \$1 to \$91, with escalating payments each year, and expire at various dates through May 2029. In addition, the Company leases various equipment under month-to-month leases. Rent expense for the year ended September 30, 2019 and 2018 totaled \$6,243 and \$7,024, respectively.

The Company recognizes rent expense for building leases on a straight-line basis over the estimated lease term. At September 30, 2019 and 2018, deferred rent totaled \$3,482 and \$3,738, respectively. Deferred rent of \$912 and \$889 is included in other current liabilities as of September 30, 2019 and 2018, respectively.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 13 – OPERATING LEASES (Continued)**

The following is a schedule of minimum future rental payments under the non-cancelable operating leases for the next five years and in the aggregate:

<u>Years ending September 30</u>	<u>Amount</u>
2020	\$ 5,535
2021	5,015
2022	4,590
2023	3,314
2024	2,377
Thereafter	3,423
	<u>\$ 24,254</u>

**NOTE 14 – BENEFIT PLANS**

The Company has a 401(k) plan covering substantially all domestic employees. The plan includes a safe harbor contribution and a discretionary profit sharing contribution to be determined by the Company annually. The Company makes a safe harbor contribution in the amount of 100% of employee contributions of the first three percent of plan compensation and 50% of the next two percent of base compensation. Eligible employees may contribute up to the IRS limit. For the years ended September 30, 2019 and 2018, matching contributions totaled \$2,314 and \$2,007, respectively. The Company has funded or accrued all calculated contributions as of the consolidated balance sheet dates. The Company also has a 401(k) plan that covers certain Eberl employees. The Eberl plan is not a safe harbor plan and provides for employee match of 50% of employee contributions up to six percent of compensation for participants, with the exception of highly compensated employees that are not eligible for a Company match. For the years ended September 30, 2019 and 2018, matching contributions totaled \$56.

**NOTE 15 – LEGAL MATTERS**

Various legal proceedings and claims, incidental to the ordinary course of business, are pending against the Company. In the opinion of management, after consultation with legal counsel, resolution of these matters are not expected to have a material effect on the Company's consolidated financial statements.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 16 – INCOME TAXES**

Pre-tax income was taxed under the following jurisdictions for the years ended September 30:

	<u>2019</u>		<u>2018</u>
Domestic	\$ 13,815	\$	27,454
International	195		669
Total pre-tax income	<u>\$ 14,010</u>	\$	<u>28,123</u>

The provision for income taxes is comprised of the following for the years ended September 30:

	<u>2019</u>		<u>2018</u>
Current tax expense:			
Federal	\$ 4,266	\$	6,046
State and local	1,280		1,545
International	414		498
Total current	5,960		8,089
Deferred tax expense (benefit):			
Federal	(345)		(1,035)
State and local	(87)		(222)
International	(108)		(67)
Total deferred	<u>(540)</u>		<u>(1,324)</u>
	<u>\$ 5,420</u>	\$	<u>6,765</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 16 – INCOME TAXES** (Continued)

Deferred income taxes are comprised of the following at September 30:

	<u>2019</u>	<u>2018</u>
Deferred tax assets		
Bad debt expense	\$ 895	\$ 876
Vacation accrual	646	579
NOL carry forward	516	212
Intangibles amortization	320	–
Other accruals	2,112	2,193
Other	39	13
Gross deferred tax assets	<u>4,528</u>	<u>3,873</u>
Valuation allowance	(409)	(182)
Net deferred tax assets	<u>4,119</u>	<u>3,691</u>
Deferred tax liabilities		
Depreciation	(896)	(806)
Intangibles amortization	–	(656)
Unbilled revenue	(1,374)	(1,327)
Other	(868)	(572)
Gross deferred tax liabilities	<u>(3,138)</u>	<u>(3,361)</u>
Net deferred tax asset	<u>\$ 981</u>	<u>\$ 330</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**NOTE 16 – INCOME TAXES** (Continued)

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax income as a result of the following differences for the year ended September 30:

	<u>2019</u>	<u>2018</u>
Statutory U.S. rate	\$ 2,942	\$ 6,899
Changes resulting from:		
State and local income taxes, net of federal benefit	992	1,048
Changes in valuation allowance	227	155
Meals and entertainment	45	382
Foreign operations, non U.S. rates	42	14
Share-based compensation	1,131	1,568
Remeasurement of contingent consideration	(45)	(3,549)
Transition tax	(27)	200
Effective rate changes	31	344
Other	82	(296)
Total tax expense	<u>\$ 5,420</u>	<u>\$ 6,765</u>

On December 22, 2017, the Tax Cuts and Jobs Act (“Act”) was signed into law. The principal element of the Act relevant to the Company’s consolidated financial statements is a reduction in the U.S. federal corporate rate from 35% to 21%, effective for the Company on January 1, 2018. Other provisions of the Act did not have a significant impact on the Company’s consolidated financial statements for the year ended September 30, 2018.



**FORSYTH EMA HOLDINGS, LLC  
AND SUBSIDIARIES**

**MANAGEMENT REPORT**

**For the years ended September 30, 2019 and 2018**

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**MANAGEMENT REPORT**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**Primary activities**

Forsyth EMA Holdings, LLC and Subsidiaries, (the “Company”) is a multi-line commercial and personal insurance claims adjuster, claims administrator, forensic consultant, and provider of technical restoration and machine repairs operating and located in the United States and internationally. The Company offer services related to the complexities of risk management, risk transfers, insurance coverage, claims adjustment and management, forensic consulting, forensic investigation, and forensic engineering.

**Principles of consolidation**

The consolidated financial statements include the accounts of Forsyth EMA Holdings, LLC and its wholly-owned subsidiary Forsyth Mezzanine, Inc. During the year ended September 30, 2018, the Company reorganized its operations to create a holding company, Cor Partners, Inc., which is wholly-owned by Forsyth Mezzanine, Inc. and wholly owns the following entities: Engle Martin & Associates, LLC. (“Engle Martin”), Eberl Claims Service, LLC (“Eberl”), Alliance Holdings, LLC, Alliance MRP, Inc., Envista Forensics, LLC, Envista Forensics Ltd., Envista Forensics PTE, Ltd., Envista Forensics PTY, Ltd., Envista Forensics PR LLC, LWG UK Consulting Ltd., Arepa Holding Denmark ApS, Arepa A/S, Arepa Danmark A/S, Arepa Sverige AB, Arepa Holding BV, Arepa Benelux B.V., Inspexx B.V., LWG Forensics, Inc., LWG Consulting Mexico S.A. de C.V., (collectively the “Company”). All intercompany transactions and balances have been eliminated on consolidation.

**Change of accounting policies**

There were no significant changes to accounting policies.

**Unusual affairs**

There were no unusual affairs.

**Uncertainty relating to recognition and measurement**

There is no material uncertainty related to recognition and measurement of the Company’s activities not otherwise disclosed in the audited financial statements.

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**MANAGEMENT REPORT**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

**Development in the Company's activities and finances**

The Company generated \$302,680 in revenue for the year ended September 30, 2019. Revenue remained relatively flat over fiscal year 2018. The Company continued to generate strong revenue from late summer hurricanes in previous years and also experienced continued organic growth. The Company's financial performance in 2019 resulted in profit of \$8,590 due to strong operational results. Results were relatively flat over fiscal 2018 after adjusting for a one-time credit of \$14,470 to the Company's contingent consideration liability that favorably impacted the 2018 results.

**Events after the balance sheet date**

There were no material events after the balance sheet date.

**Outlook**

The Company expects to generate approximately \$312,000 in revenue for the year ending September 30, 2020. This represents a slight increase of approximately 3%, over fiscal year 2019 results. The Company expects fiscal year 2020 Earnings Before Interest, Tax and Depreciation (EBITDA) to be approximately \$40,000, with margin levels that are slightly higher than fiscal year 2019.

Some of the significant initiatives that may influence this forecast include: strategic decisions to accelerate or defer investments in certain service lines; ongoing monitoring of hiring plans and the timing of hiring and training new experts; possible increases or decreases in work from key customers; major storm activity that can significantly increase or decrease demand for the Company's services.

**Particular risks**

The Company has not identified any significant risks regarding individual customers or partners.

The Company is not significantly exposed to changes in exchange rates and interest rates. The Company's individual companies conduct business in local currencies.

**Intellectual capital resources**

The most significant intellectual capital resources consist of the Company's employees who will continue to significantly contribute to the company's earnings in the coming years.

## **FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**

### **MANAGEMENT REPORT**

**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

#### **Environmental affairs**

The Company does not have any formal policies regarding its environmental affairs as there is no significant environmental impact in connection with the Company's operations. The company is not liable to prepare green accounts and has no significant environmental approvals.

#### **Research and development activities**

The Company is a service provider and does not have any formal research and development activities.

#### **Disclosures about own shares**

##### Member units and common stock

At September 30, 2019, Forsyth EMA Holdings, LLC had 35,035,175 Class A units, with a stated value of \$1.00 per unit, authorized, issued and outstanding. At September 30, 2018, Forsyth EMA Holdings, LLC had 36,079,633 Class A units, with a stated value of \$1.00 per unit, authorized, issued and outstanding.

At September 30, 2019 and 2018, Forsyth EMA Mezzanine, Inc. had 100 shares, no par value, authorized, issued and outstanding. Forsyth EMA Holdings, LLC owned 100% of Forsyth EMA Mezzanine, Inc.

At September 30, 2019, Cor Partners, Inc. had 100 shares, no par value, authorized, issued and outstanding. Forsyth EMA Mezzanine, Inc. owned 100% of Cor Partners, Inc.

At September 30, 2019, Engle Martin & Associates, LLC had 1,000 membership units authorized, with a par value of \$1.00 per unit, and 360 units issued and outstanding. Cor Partners Inc. owned 100% of Engle Martin & Associates, LLC.

At September 30, 2019, Envista Forensics, LLC had 1,200 member units authorized, respectively, no par value, and 1,078 units issued and outstanding. Cor Partners Inc. owned 100% of Envista Forensics, LLC.

At September 30, 2019, Eberl Claims Services LLC had 1,000 membership units authorized, with no par value and 100% units issued and outstanding. Cor Partners Inc. owned 100% of Eberl Claims Services LLC.

At September 30, 2019, Alliance MRP, Inc had 100 shares, \$0.01 par value, authorized, issued and outstanding. Alliance Holding, LLC owned 97.667% of Alliance MRP, Inc. Cor Partners Inc. owned 100% of Alliance Holdings, LLC.

# **FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**

## **MANAGEMENT REPORT**

**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

### Share-based compensation

In accordance with the Limited Liability Agreement, the Company is authorized to issue Classes B through M units of Forsyth EMA Holdings, LLC. These units are intended to constitute profit interests. These units do not have any voting rights, but offer the holder to participate in the appreciation of Class A units at levels above \$1.00 per unit for Class B, \$1.50 per unit for Class C, \$2.57 per unit for class D, \$2.64 per unit for Class E units, \$2.88 for class F units, \$3.97 for Class G units, \$4.02 for Class H units, \$4.32 for Class I units, \$5.40 for Class J units, \$5.71 for Class K units, \$6.82 for Class L units, and \$6.99 for Class M units. The intrinsic value of the Class A units at September 30, 2019 and 2018 was \$8.30 and \$6.82, respectively.

Each unit vests ratably over a five year period. After five years, the members have a right to require the Company to purchase a number of units equal to the applicable put portion as defined in the agreement. Upon termination of employment for any reason other than death or disability, all units not vested will be immediately cancelled. Settlement of the awards is expected to be settled in cash.

The intrinsic value of each unit award is determined using an Economic Value Added (“EVA”) methodology. Profits Interests are re-measured at each financial reporting date through the date of settlement. The vested portion of the intrinsic value of units outstanding, which is recorded as a liability on the accompanying consolidated balance sheet, was \$17,711 and \$15,361 as of September 30, 2019 and 2018, respectively.

Compensation expense that has been charged against income for profit interests was \$5,381 and \$6,337 in 2019 and 2018, respectively. There is no income tax benefit associated with share-based compensation arrangements. There was \$2,635 and \$3,104 of total unrecognized compensation cost related to non-vested unit based compensation arrangements at September 30, 2019 and 2018, respectively.

Following is a schedule showing the change in the accrued share-based payment liability at September 30:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 15,361	\$ 9,125
Share-based compensation expense	5,381	6,336
Share-based compensation redemptions	(3,031)	(100)
Ending balance	<u>\$ 17,711</u>	<u>\$ 15,361</u>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**MANAGEMENT REPORT**  
**Years ended September 30, 2019 and 2018**  
**(In thousands, except unit and share data)**

A summary of unit activity (in thousands) is presented below:

Share-Based Compensation	Class B	Class C	Class D	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M	Total	Average price per unit
Outstanding at September 30, 2018	1,178	762	78	475	840	255	223	23	325	60	–	–	4,219	\$ 2.44
Units granted	–	–	–	–	–	–	–	–	–	–	295	70	365	6.86
Units forfeited	–	–	–	–	(87)	(82)	–	–	(54)	(50)	–	–	(273)	4.23
Units repurchased	(407)	(40)	(50)	–	(20)	(23)	–	–	(14)	–	–	–	(554)	1.48
Outstanding at September 30, 2019	771	722	28	475	733	150	223	23	257	10	295	70	3,757	\$ 2.89
Vested at September 30, 2019	771	722	28	475	587	90	134	9	51	2	–	–	2,869	\$ 2.13

**FORSYTH EMA HOLDINGS, LLC  
AND SUBSIDIARIES**

**SUPPLEMENTARY INFORMATION**

**For the years ended September 30, 2019 and 2018**

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET**  
**September 30, 2019**  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Co E
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 51	\$ —	\$ 7,659	\$ —	\$ —
Cash, client trust accounts	—	—	69,804	—	—
Accounts receivable, net	—	—	48,454	—	—
Unbilled revenue, net	—	—	19,732	—	—
Prepaid expenses and other assets	—	—	4,817	—	—
Income tax receivable	161	—	575	—	—
Total current assets	212	—	151,041	—	—
<b>PROPERTY AND EQUIPMENT, NET</b>	—	—	6,199	—	—
<b>INTERCOMPANY NOTES RECEIVABLE</b>	4,520	—	23,595	(28,115)	—
<b>INVESTMENT IN SUBSIDIARY</b>	118,906	118,906	—	(237,812)	—
<b>OTHER ASSETS</b>					
Goodwill	—	—	60,371	—	—
Intangibles, net	—	—	49,963	—	—
Deferred tax asset, net	—	—	981	—	—
Other assets	—	—	503	—	—
Total other assets	—	—	111,818	—	—
<b>TOTAL ASSETS</b>	<b>\$ 123,638</b>	<b>\$ 118,906</b>	<b>\$ 292,653</b>	<b>\$ (265,927)</b>	<b>\$ —</b>



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET**  
For the year ended September 30, 2019  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Co E
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Notes payable, current portion	\$ 730	\$ —	\$ 37,821	\$ —	\$ —
Accounts payable and accrued expenses	136	—	11,045	—	—
Accrued compensation	—	—	20,556	—	—
Client trust accounts	—	—	69,804	—	—
Contingent consideration, current portion	—	—	347	—	—
Deferred revenue, current portion	—	—	602	—	—
Accrued share-based compensation, current portion	—	—	4,014	—	—
Other current liabilities	—	—	916	—	—
Total current liabilities	866	—	145,105	—	—
<b>OTHER LIABILITIES</b>					
Notes payable, less current portion	1,557	—	380	—	—
Intercompany notes payable	23,598	—	4,517	(28,115)	—
Contingent consideration, less current portion	—	—	7,463	—	—
Accrued share-based compensation, less current portion	—	—	13,697	—	—
Deferred rent, less current portion	—	—	2,570	—	—
Other liabilities	—	—	15	—	—
Total liabilities	26,021	—	173,747	(28,115)	—
<b>MEMBERS' AND STOCKHOLDERS' EQUITY</b>	97,617	118,906	118,906	(237,812)	—
<b>TOTAL LIABILITIES AND MEMBERS' AND STOCKHOLDERS' EQUITY</b>	<b>\$ 123,638</b>	<b>\$ 118,906</b>	<b>\$ 292,653</b>	<b>\$ (265,927)</b>	<b>\$ —</b>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
For the year ended September 30, 2019  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Consolidated Cor Partners	Consolidating Eliminations	Co E
<b>Revenues</b>					
Revenue, net	\$ —	\$ —	\$ 302,680	\$ —	\$ —
<b>Operating expenses</b>					
Cost of revenues	—	—	174,854	—	—
Selling, general and administrative expenses	13	—	101,165	—	—
Depreciation and amortization expenses	—	—	10,562	—	—
Remeasurement of contingent consideration	—	—	(228)	—	—
<b>Total operating expenses</b>	<b>13</b>	<b>—</b>	<b>286,353</b>	<b>—</b>	<b>—</b>
<b>Income from operations</b>	<b>(13)</b>	<b>—</b>	<b>16,327</b>	<b>—</b>	<b>—</b>
<b>Other income (expense)</b>					
Income from subsidiary	8,906	8,906	—	(17,812)	—
Interest expense, net	(408)	—	(1,896)	—	—
<b>Income before income taxes</b>	<b>8,485</b>	<b>8,906</b>	<b>14,431</b>	<b>(17,812)</b>	<b>—</b>
Provision for income taxes expense (benefit)	(105)	—	5,525	—	—
<b>Net income</b>	<b>8,590</b>	<b>8,906</b>	<b>8,906</b>	<b>(17,812)</b>	<b>—</b>
<b>Other comprehensive income (loss)</b>					
Foreign currency translation gain (loss)	(640)	(640)	(640)	1,280	—
<b>Comprehensive income</b>	<b>\$ 7,950</b>	<b>\$ 8,266</b>	<b>\$ 8,266</b>	<b>\$ (16,532)</b>	<b>\$ —</b>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF MEMBERS' AND STOCKHOLDERS' EQUITY**  
For the year ended September 30, 2019  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Co
<b>COMMON STOCK</b>	\$ —	\$ —	\$ —	\$ —	\$
<b>ADDITIONAL PAID-IN CAPITAL</b>					
Balance, September 30, 2018	—	74,575	74,575	(149,150)	
Capital contributions	—	530	530	(1,060)	
Balance, September 30, 2019	—	75,105	75,105	(150,210)	
<b>MEMBERS' EQUITY AND RETAINED EARNINGS</b>					
Balance, September 30, 2018	95,985	34,686	34,686	(69,372)	
Unit redemptions	(7,796)	—	—	—	
Unit issuances	629	—	—	—	
Net income	8,590	8,906	8,906	(17,812)	
Balance, September 30, 2019	97,408	43,592	43,592	(87,184)	
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>					
Balance, September 30, 2018	849	849	849	(1,698)	
Foreign currency translation gain (loss)	(640)	(640)	(640)	1,280	
Balance, September 30, 2019	209	209	209	(418)	
<b>MEMBERS' AND STOCKHOLDERS' EQUITY</b>	<b>\$ 97,617</b>	<b>\$ 118,906</b>	<b>\$ 118,906</b>	<b>\$ (237,812)</b>	<b>\$</b>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2019  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidated Eliminations
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 8,590	\$ 8,906	\$ 8,906	\$ (17)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	-	-	10,562	
Bad debt expense	-	-	549	
Deferred taxes	-	-	(651)	
Share based compensation expense	-	-	5,381	
Remeasurement of contingent consideration	-	-	(228)	
Non-cash amortization of debt discount	-	-	52	
Income from subsidiary	(8,906)	(8,906)	-	17
Changes in operating assets and liabilities:				
Accounts receivable	-	-	(1,069)	
Unbilled revenue	-	-	2,702	
Prepaid expenses and other assets	2	-	(786)	
Accounts payable and accrued expenses	136	-	2,057	
Accrued compensation	-	-	(4,537)	
Deferred revenue	-	-	(704)	
Deferred rent	-	-	(279)	
Income taxes payable	(105)	-	(551)	
Other current liabilities	-	-	(283)	
Net cash provided by (used in) operating activities	(283)	-	21,121	
<b>INVESTING ACTIVITIES</b>				
Purchases of property and equipment	-	-	(2,293)	
Cash paid for acquisition, net of cash acquired	-	-	(745)	
Net cash provided used in investing activities	-	-	(3,038)	

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2019  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidat Eliminatio
<b>FINANCING ACTIVITIES</b>				
Principal payments on notes payable	\$ (963)	\$ —	\$ (21,279)	\$
Borrowings on note payable	762	—	13,781	
Proceeds from issuance of related-party notes payable	8,166	—	(8,166)	
Proceeds from issuance of Class A Units	99	—	—	
Purchase of Class A Units	(7,796)	—	762	
Share-based compensation redemptions	—	—	(3,031)	
Net cash provided by (used in) financing activities	268	—	(17,933)	
Effects of exchange rates on cash and cash equivalents	—	—	80	
<b>NET CHANGE IN CASH</b>	(15)	—	230	
<b>CASH, beginning</b>	66	—	7,429	
<b>CASH, Ending</b>	\$ 51	\$ —	\$ 7,659	\$

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET**  
For the year ended September 30, 2018  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Co E
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 66	\$ —	\$ 7,429	\$ —	\$ —
Cash, client trust accounts	—	—	59,023	—	—
Accounts receivable, net	—	—	47,355	—	—
Unbilled revenue, net	—	—	22,395	—	—
Prepaid expenses and other assets	2	—	4,032	—	—
Income tax receivable	56	—	24	—	—
Total current assets	124	—	140,258	—	—
<b>PROPERTY AND EQUIPMENT, NET</b>	—	—	6,049	—	—
<b>INTERCOMPANY NOTES RECEIVABLE</b>	1,490	1,173	10,912	(13,575)	—
<b>INVESTMENT IN SUBSIDIARY</b>	110,110	110,110	—	(220,220)	—
<b>OTHER ASSETS</b>					
Goodwill	—	—	59,906	—	—
Intangibles, net	—	—	57,606	—	—
Deferred tax asset, net	—	—	330	—	—
Other assets	—	—	316	—	—
Total other assets	—	—	118,158	—	—
<b>TOTAL ASSETS</b>	<b>\$ 111,724</b>	<b>\$ 111,283</b>	<b>\$ 275,377</b>	<b>\$ (233,795)</b>	<b>\$ —</b>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET**  
For the year ended September 30, 2018  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidating Eliminations	Co E
<b>LIABILITIES AND MEMBERS' EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Notes payable, current portion	\$ 963	\$ —	\$ 9,028	\$ —	\$ —
Accounts payable and accrued expenses	—	—	8,904	—	—
Accrued compensation	—	—	25,093	—	—
Client trust accounts	—	—	59,023	—	—
Deferred revenue, current portion	—	—	1,306	—	—
Accrued share-based compensation, current portion	—	—	4,082	—	—
Other current liabilities	—	—	889	—	—
Total current liabilities	963	—	108,325	—	—
<b>OTHER LIABILITIES</b>					
Notes payable, less current portion	1,525	—	35,510	—	—
Intercompany notes payable	12,402	1,173	—	(13,575)	—
Contingent consideration	—	—	7,218	—	—
Accrued share-based compensation, less current portion	—	—	11,279	—	—
Deferred rent, less current portion	—	—	2,849	—	—
Other liabilities	—	—	86	—	—
Total liabilities	14,890	1,173	165,267	(13,575)	—
<b>MEMBERS' AND STOCKHOLDERS' EQUITY</b>					
	96,834	110,110	110,110	(220,220)	—
<b>TOTAL LIABILITIES AND MEMBERS' AND STOCKHOLDERS' EQUITY</b>					
	\$ 111,724	\$ 111,283	\$ 275,377	\$ (233,795)	\$ —

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
For the year ended September 30, 2018  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Consolidated Cor Partners	Consolidating Eliminations	Co E
<b>Revenues</b>					
Revenue, net	\$ —	\$ —	\$ 300,141	\$ —	\$ —
<b>Operating expenses</b>					
Cost of revenues	—	—	176,246	—	—
Selling, general and administrative expenses	—	—	96,942	—	—
Depreciation and amortization expenses	—	—	10,733	—	—
Remeasurement of contingent consideration	—	—	(14,470)	—	—
Intangible asset impairment	—	—	333	—	—
Total operating expenses	—	—	269,784	—	—
<b>Income from operations</b>	—	—	30,357	—	—
<b>Other income (expense)</b>					
Income from subsidiary	21,498	21,498	—	(42,996)	—
Interest expense, net	(196)	—	(2,038)	—	—
<b>Income before income taxes</b>	21,302	21,498	28,319	(42,996)	—
Provision for income taxes expense (benefit)	(56)	—	6,821	—	—
<b>Net income</b>	<b>\$ 21,358</b>	<b>\$ 21,498</b>	<b>\$ 21,498</b>	<b>\$ (42,996)</b>	<b>\$ —</b>
<b>Other comprehensive income (loss)</b>					
Foreign currency translation gain (loss)	849	849	(288)	(1,698)	—
<b>Comprehensive income</b>	<b>\$ 22,207</b>	<b>\$ 22,347</b>	<b>\$ 21,210</b>	<b>\$ (44,694)</b>	<b>\$ —</b>



**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF MEMBERS' AND STOCKHOLDERS' EQUITY**  
For the year ended September 30, 2018  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Consolidated Cor Partners	Consolidating Eliminations	Co E
<b>COMMON STOCK</b>	\$ —	\$ —	\$ —	\$ —	\$
<b>ADDITIONAL PAID-IN CAPITAL</b>					
Balance, September 30, 2017	—	74,382	74,382	(148,764)	
Capital contributions	—	193	193	(386)	
Balance, September 30, 2018	—	74,575	74,575	(149,150)	
<b>MEMBERS' EQUITY AND RETAINED EARNINGS</b>					
Balance, September 30, 2017	79,696	13,188	13,188	(26,376)	
Unit redemptions	(5,447)	—	—	—	
Unit issuances	378	—	—	—	
Net income	21,358	21,498	21,498	(42,996)	
Balance, September 30, 2018	95,985	34,686	34,686	(69,372)	
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>					
Balance, September 30, 2017	—	—	1,137	—	
Foreign currency translation gain (loss)	849	849	(288)	(1,698)	
Balance, September 30, 2018	849	849	849	(1,698)	
<b>MEMBERS' AND STOCKHOLDERS' EQUITY</b>	<b>\$ 96,834</b>	<b>\$ 110,110</b>	<b>\$ 110,110</b>	<b>\$ (220,220)</b>	<b>\$</b>

**FORSYTH EMA HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2018  
(In thousands, except unit and share data)

	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidated Eliminations
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 21,358	\$ 21,498	\$ 21,498	\$ (42)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	-	-	10,733	
Bad debt expense	-	-	675	
Loss on disposal of property and equipment	-	-	32	
Deferred taxes	-	-	(996)	
Share based compensation expense	-	-	6,336	
Remeasurement of contingent consideration	-	-	(14,470)	
Intangible asset impairment loss	-	-	333	
Non-cash amortization of debt discount	-	-	52	
Income from subsidiary	(21,498)	(21,498)	-	42
Changes in operating assets and liabilities:				
Accounts receivable	-	-	10,075	
Unbilled revenue	-	-	8,245	
Prepaid expenses and other assets	-	-	(106)	
Accounts payable and accrued expenses	(184)	-	(651)	
Accrued compensation	-	-	(9,035)	
Deferred revenue	-	-	(490)	
Deferred rent	-	-	(141)	
Income taxes payable	(56)	-	(2,029)	
Other current liabilities	-	-	(383)	
Net cash provided by (used in) operating activities	(380)	-	29,678	
<b>INVESTING ACTIVITIES</b>				
Purchases of property and equipment	-	-	(1,911)	
Issuance of related-party notes receivable	(100)	-	(53,925)	54
Cash paid for acquisition, net of cash acquired	-	-	(1,791)	
Net cash provided used in investing activities	(100)	-	(57,627)	54

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**CONSOLIDATING STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2018  
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	Forsyth EMA Holdings, LLC	Forsyth EMA Mezzanine, Inc.	Cor Partners, Inc.	Consolidat Eliminatio
<b>FINANCING ACTIVITIES</b>				
Principal payments on notes payable	\$ (516)	\$ —	\$ (31,618)	\$
Borrowings on note payable	—	—	8,000	
Proceeds from issuance of related-party notes payable	4,496	—	49,529	(54)
Proceeds from issuance of Class A Units	176	—	—	
Purchase of Class A Units	(3,661)	—	—	
Share-based compensation redemptions	—	—	(100)	
Net cash provided by (used in) financing activities	495	—	25,811	(54)
Effects of foreign currency cash	—	—	(165)	
<b>NET CHANGE IN CASH</b>	15	—	(2,303)	
<b>CASH, beginning</b>	51	—	9,732	
<b>CASH, Ending</b>	\$ 66	\$ —	\$ 7,429	\$