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

## FORM 8-K/A
## (Amendment No. 1)

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

**Date of Report (Date of earliest event reported): December 20, 2019**

# NV5 GLOBAL, INC.
(Exact Name of Registrant as Specified in Its Charter)

| | | |
|---|---|---|
| **Delaware** | **001-35849** | **45-3458017** |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |
| **200 South Park Road, Suite 350** | | |
| **Hollywood, FL** | | **33021** |
| (Address of Principal Executive Offices) | | (Zip Code) |

**Registrant's telephone number, including area code: (954) 495-2112**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.01 par value** | **NVEE** | **The NASDAQ Stock Market** |

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

**Explanatory Note**

On December 23, 2019, NV5 Global, Inc. (the "NV5") filed a current report on Form 8-K (the "Original Filing") in connection with the acquisition of Geospatial Holdings, Inc. and its subsidiaries, including Quantum Spatial, Inc. (collectively "QSI"), a full-service geospatial solutions provider serving the North America market. This Current Report on Form 8-K/A (Amendment No. 1) amends and supplements the Original Filing to provide the required Item 9.01(a) Financial Statements of Businesses Acquired and the required Item 9.01(b) Pro Forma Financial Information. This Current Report on Form 8-K/A should be read in connection with the Original Filing, which provides a more complete description of the transaction. Except as indicated above, all other information in the Original Filing remains unchanged.

**Item 9.01 Financial Statements and Exhibits**

(a) Financial Statements of Businesses Acquired.

The audited consolidated balance sheets of Geospatial Holdings Inc. and Subsidiaries as of December 29, 2018 and December 30, 2017, and the audited consolidated statements of operations, comprehensive income, cash flows, and equity of Geospatial Holdings Inc. and Subsidiaries for the years ended December 29, 2018 and December 30, 2017, are filed as Exhibit 99.1 and incorporated herein by reference.

The audited consolidated balance sheet of Geospatial Holdings Inc. and Subsidiaries as of December 31, 2016, and the audited consolidated statements of operations, comprehensive income, cash flows, and equity of Geospatial Holdings Inc. and Subsidiaries for the year ended December 31, 2016, are filed as Exhibit 99.2 and incorporated herein by reference.

The unaudited condensed balance sheet of Geospatial Holdings Inc. and Subsidiaries as of September 28, 2019, and the unaudited condensed statements of operations, cash flows, and equity for the nine months ended September 28, 2019 and September 29, 2018, are filed as Exhibit 99.3 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma combined financial statements of NV5 and Geospatial Holdings Inc. and Subsidiaries as of and for the nine months ended September 28, 2019 and for the year ended December 29, 2018, are filed as Exhibit 99.4 and incorporated herein by reference.

(d) Exhibits.

| Exhibit No. | Description |
|---|---|
| 23.1 | Consent of Independent Certified Public Accountants |
| 23.2 | Consent of Independent Certified Public Accountants |
| 99.1 | The audited consolidated balance sheets of Geospatial Holdings Inc. and Subsidiaries as of December 29, 2018 and December 30, 2017, and the audited consolidated statements of operations, comprehensive income, cash flows, and equity of Geospatial Holdings Inc. and Subsidiaries for the years ended December 29, 2018 and December 30, 2017. |
| 99.2 | The audited consolidated balance sheets of Geospatial Holdings Inc. and Subsidiaries as of December 31, 2016, and the audited consolidated statements of operations, comprehensive income, cash flows, and equity of Geospatial Holdings Inc. and Subsidiaries for the year ended December 31, 2016. |
| 99.3 | The unaudited condensed balance sheet of Geospatial Holdings Inc. and Subsidiaries as of September 28, 2019 and the unaudited condensed statements of operations, cash flow, and equity for the nine months ended September 28, 2019 and September 29, 2018. |
| 99.4 | The unaudited pro forma combined financial statements of NV5 and Geospatial Holdings Inc. and Subsidiaries, consisting of the unaudited combined balance sheet as of September 28, 2019, and the unaudited combined statement of operations for the nine months ended September 28, 2019 and the year ended December 29, 2018. |

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 26, 2020

**NV5 GLOBAL, INC.**

(Registrant)

By: /s/ Richard Tong

Name: Richard Tong

Title: Executive Vice President and General Counsel

**Exhibit 23.1**

**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

We have issued our report dated April 23, 2019 (except for Notes A and G, as to which the date is February 26, 2020), with respect to the consolidated financial statements of Geospatial Holdings, Inc. and subsidiaries which are included in the Current Report on Form 8-K/A of NV5 Global, Inc. filed February 26, 2020. We consent to the incorporation by reference of said report in the Registration Statements of NV5 Global, Inc. on Form S-3 (File Nos. 333-212149 and 333-224392) and on Form S-8 (File Nos. 333-187963, 333-212150 and 333-212159).

/s/ Grant Thornton LLP

Milwaukee, Wisconsin
February 26, 2020

**Exhibit 23.2**

**CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

We have issued our report dated November 30, 2017 (except for Notes A and H, as to which the date is February 26, 2020), with respect to the consolidated financial statements of Geospatial Holdings, Inc. and subsidiaries which are included in the Current Reports on Form 8-K/A of NV5 Global, Inc. filed February 26, 2020. We consent to the incorporation by reference of said report in the Registration Statements of NV5 Global, Inc. on Form S-3 (File Nos. 333-212149 and 333-224392) and on Form S-8 (File Nos. 333-187963, 333-212150 and 333-212159).

/s/ Grant Thornton LLP

Milwaukee, Wisconsin
February 26, 2020

# Consolidated Financial Statements and Report of Independent Certified Public Accountants

## Geospatial Holdings Inc. and Subsidiaries

December 29, 2018 and December 30, 2017

# Contents

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors
Geospatial Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Geospatial Holdings, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheets as of December 29, 2018 and December 30, 2017, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Geospatial Holdings Inc. and subsidiaries as of December 29, 2018 and December 30, 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Milwaukee, Wisconsin

April 23, 2019 (except for Notes A and G, as to which the date is February 26, 2020)

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS**

**December 29, 2018 and December 30, 2017**

| **ASSETS** | December 29, 2018 | December 30, 2017 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ 12,300,320 | $ 9,765,817 |
| Trade accounts receivable, net | 17,112,175 | 10,639,289 |
| Unbilled retainage receivable | 235,489 | 172,916 |
| Costs and estimated earnings in excess of billings on uncompleted contracts, net | 13,705,507 | 13,196,518 |
| Prepaid expenses and other current assets | 2,668,989 | 1,861,388 |
| Total current assets | 46,022,480 | 35,635,928 |
| **PROPERTY, PLANT AND EQUIPMENT, NET** | 11,811,672 | 13,145,045 |
| **OTHER ASSETS** | | |
| Goodwill | 43,851,990 | 43,851,990 |
| Other intangible assets, net | 6,575,410 | 10,599,576 |
| Deferred financing costs, net | 95,834 | 120,834 |
| Deferred income taxes, net | 758,661 | 1,428,698 |
| **TOTAL ASSETS** | $ 109,116,047 | $ 104,782,071 |

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED BALANCE SHEETS - CONTINUED**

**December 29, 2018 and December 30, 2017**

| **LIABILITIES AND STOCKHOLDERS' EQUITY** | December 29, 2018 | December 30, 2017 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Current maturities of long-term debt | $ 2,159,747 | $ 1,000,000 |
| Current maturities of capital lease obligations | — | 100,970 |
| Accounts payable | 10,021,542 | 8,579,336 |
| Accrued expenses | 10,447,842 | 8,218,178 |
| Deferred revenues | 553,635 | 581,968 |
| Total current liabilities | 23,182,766 | 18,480,452 |
| **LONG-TERM OBLIGATIONS** | | |
| Long-term debt, less current maturities | 56,319,705 | 57,821,917 |
| Total liabilities | 79,502,471 | 76,302,369 |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock | — | — |
| Preferred stock | 46,836 | 46,836 |
| Additional paid in capital | 63,952,161 | 63,788,561 |
| Retained deficit | (34,385,421) | (35,355,695) |
| Total stockholders' equity | 29,613,576 | 28,479,702 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 109,116,047 | $ 104,782,071 |

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

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**Years ended December 29, 2018 and December 30, 2017**

| | December 29, 2018 | | December 30, 2017 | |
|---|---|---|---|---|
| Net sales | $ | 106,766,109 | $ | 94,853,245 |
| Cost of sales | | 71,138,651 | | 67,217,888 |
| Gross profit | | 35,627,458 | | 27,635,357 |
| Selling, general and administrative expenses | | 20,728,810 | | 20,125,992 |
| Amortization of intangible assets | | 4,024,166 | | 4,380,834 |
| Management fee to affiliated company | | 1,000,000 | | 500,000 |
| Operating profit | | 9,874,482 | | 2,628,531 |
| Other expenses | | | | |
| Interest expense, net | | 6,415,565 | | 4,988,686 |
| Other expense, net | | 1,815,597 | | 790,435 |
| Income (loss) before provision for income taxes | | 1,643,320 | | (3,150,590) |
| Income tax expense (benefit) | | 673,046 | | (1,287,215) |
| **NET INCOME (LOSS)** | $ | 970,274 | $ | (1,863,375) |

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

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**Years ended December 29, 2018 and December 30, 2017**

| | Common stock | | Preferred stock | | Additional paid-in capital | Retained deficit | Total stockholders' equity |
|---|---|---|---|---|---|---|---|
| | Class A | Class B | Series A | Series B | | | |
| **Balance at January 1, 2017** | $ — | $ — | $ 46,766 | $ 70 | $ 63,650,762 | $ (33,492,320) | $ 30,205,278 |
| Share-based compensation | — | — | — | — | 137,799 | — | 137,799 |
| Net loss | — | — | — | — | — | (1,863,375) | (1,863,375) |
| **Balance at December 30, 2017** | — | — | 46,766 | 70 | 63,788,561 | (35,355,695) | 28,479,702 |
| Share-based compensation | — | — | — | — | 163,600 | — | 163,600 |
| Net income | — | — | — | — | — | 970,274 | 970,274 |
| **Balance at December 29, 2018** | $ — | $ — | $ 46,766 | $ 70 | $ 63,952,161 | $ (34,385,421) | $ 29,613,576 |

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

## Geospatial Holdings Inc. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## Years ended December 29, 2018 and December 30, 2017

| | December 29, 2018 | December 30, 2017 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 970,274 | $ (1,863,375) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | |
| Depreciation and amortization | 10,706,103 | 11,394,462 |
| Gain on disposal of property, plant and equipment | (328,691) | (640,006) |
| Share-based compensation | 163,600 | 137,799 |
| Deferred tax expense (benefit) | 670,037 | (1,428,698) |
| Change in accounts receivable allowance | 45,370 | (441,355) |
| Payable in-kind interest added to debt | — | 209,513 |
| Changes in operating assets and liabilities | | |
| Trade accounts receivable | (6,518,256) | 130,240 |
| Unbilled retainage receivable | (62,573) | 91,795 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (508,989) | (5,495,937) |
| Prepaid expenses and other assets | (807,601) | (593,031) |
| Accounts payable | 1,433,706 | 3,614,262 |
| Accrued expenses | 1,368,051 | 3,377,153 |
| Deferred revenues | (28,333) | (93,637) |
| Net cash provided by operating activities | 7,102,698 | 8,399,185 |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of property, plant and equipment | 590,600 | 1,006,898 |
| Purchases of property, plant and equipment | (4,057,825) | (4,111,058) |
| Net cash used in investing activities | (3,467,225) | (3,104,160) |
| **Cash flows from financing activities:** | | |
| Repayments of revolving line of credit | — | (9,000,000) |
| Proceeds from long-term debt | — | 62,000,000 |
| Repayments of long-term debt | (1,000,000) | (50,232,323) |
| Repayments on capital leases | (100,970) | (165,877) |
| Payment of deferred financing costs | — | (3,412,672) |
| Net cash used in financing activities | (1,100,970) | (810,872) |
| Net increase in cash | 2,534,503 | 4,484,153 |
| **Cash at beginning of year** | 9,765,817 | 5,281,664 |
| **Cash at end of year** | $ 12,300,320 | $ 9,765,817 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid (net of refunds) during the year for | | |
| Interest | $ 5,725,899 | $ 3,851,492 |
| Income taxes | 138,899 | 89,173 |
| Non-cash investing activities | | |
| Purchases of equipment included in accrued expenses | $ 1,596,857 | $ 735,244 |

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

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended December 29, 2018 and December 30, 2017**

| | | |
|---|---|---|
| Purchases of equipment included in accounts payable | 8,500 | — |

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

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Quantum Spatial, Inc. (Quantum Spatial or the Company) is a full-service geospatial solutions provider serving the North American market. The Company provides a full suite of geospatial data enrichment and analytic solutions derived from the Company's proprietary data processing algorithms and software. The Company provides its clients with geospatial analysis and insights using high-value terrestrial and topo-bathymetric LiDAR, hyperspectral imagery, digital orthoimagery, thermal infrared and oblique imagery. Clients in the federal, state and commercial markets, including utilities, oil & gas and others, utilize Quantum Spatial's products and services to transform complex data relationships into meaningful and actionable information.

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

### *Basis of Presentation*

The Company's accounting period ends on the Saturday nearest December 31. The 2018 and 2017 years ended on December 29, 2018 and December 30, 2017, respectively.

### *Principles of Consolidation*

The consolidated financial statements include the accounts of Geospatial Holdings, Inc., its wholly owned holding company, Aero-Metric Holdings Corp. and its wholly owned subsidiary, Quantum Spatial. During 2017, the Company established Quantum Spatial India Private Limited. Quantum Spatial owns 99.99% of this entity with the remaining 0.01% owned by Aero-Metric Holdings Corp. During 2018, the Company established Quantum Spatial Canada Inc. Quantum Spatial owns 100% of this entity. All intercompany balances and transactions have been eliminated in consolidation.

### *Use of Estimates*

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Revenue and Cost Recognition*

Software and Support Sales

For computer software and support arrangements that include multiple deliverables, the Company has applied the software revenue recognition rules as prescribed by Accounting Standards Codification (ASC) 985-605, *Software – Revenue Recognition*. Under the software revenue recognition rules, the fee from a multiple-deliverable arrangement is allocated to each of the undelivered elements based on vendor-specific objective evidence, which is limited to the price charged when the same deliverable is sold separately, with the residual value from the arrangement allocated to the delivered element. The portion of the fee that is allocated to each deliverable is then recognized as revenue when the criteria for revenue recognition are met with respect to that deliverable. All software revenue arrangements have been accounted for under this guidance. Computer software revenue is generally recognized upon delivery. Revenue related to post-contract customer support (PCS) is recognized over the period of the support to be provided. PCS arrangements typically have a term of one year.

Costs incurred to generate computer software, hardware and support-related revenue include research and development costs associated with product development, costs related to product support and installation, and inventory costs related to hardware sales. Amounts billed and collected before the services are performed are included in deferred revenues.

<u>Fixed-price Contracts</u>

For fixed-price contracts, the Company recognizes revenue based on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract (cost-to-cost method), in accordance with Financial Accounting Standards Board (FASB) ASC 605-35, *Construction-Type and Production-Type Contracts.* This method is used as management believes costs to be the best available measure of progress on these contracts. Contracts are considered complete when the work is substantially complete and accepted by the customer.

<u>Time and Material Contracts</u>

For time and material contracts, revenue is recognized as the work is performed in accordance with the guidance prescribed by ASC 605-35.

<u>Milestone Contracts</u>

For contracts that have fixed deliverables upon completion of individual milestones or upon completion of the project as a whole, the Company has applied revenue recognition guidance as prescribed by ASC 605-28, *Milestone Method*. Individual milestones are based on the completion of substantive steps outlined in the related contracts. These steps are defined by specific work to be performed, such as the flight plan, imagery design, aerial triangulation and mapping. Each step is unique and the steps are determined at the inception of the arrangement. The Company has historically applied a milestone method approach and recognizes revenue on these contracts after milestones are completed, the customer has been invoiced and collection is reasonably assured.

Contract costs associated with all of the above include all direct labor and material costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, insurance, repairs and depreciation. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to both cost of construction and revenues and are recognized in the period in which the revisions are determined. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized. The Company has recorded an allowance for contract losses in the amount of $365,000 and $115,000 as of December 29, 2018 and December 30, 2017, respectively.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed and are reported net of an allowance for uncompleted contracts in the amount of $1,075,000 and $925,000 as of December 29, 2018 and December 30, 2017, respectively.

***Trade Accounts Receivable***

The Company's receivables are stated at the amount the Company expects to collect from outstanding balances. The Company provides for estimated uncollectible amounts, including sales discounts and allowances, through a charge to income and a credit to a valuation allowance based on management's assessment of the current status of individual accounts, giving consideration to historical experience and existing economic conditions. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Accounts receivable are ordinarily due upon receipt. Accounts receivable are reported net of an allowance for doubtful accounts of $355,537 and $310,167 as of December 29, 2018 and December 30, 2017, respectively.

***Unbilled Retainage Receivable***

Unbilled retainage receivables represent revenue earned but not billed to customers until future dates, usually when a contract is approved by the customer.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Expenditures for major additions and improvements are capitalized, while minor repairs and maintenance are charged to expense as incurred. Depreciation is based on the estimated useful lives of depreciable assets and is provided using the straight-line method. When property is disposed of, the asset and related accumulated depreciation are removed from the accounts. Any resulting gain or loss is reflected in operations in the period incurred.

***Intangible Assets***

Intangible assets, not including goodwill, are composed of definite-lived customer relationships, internally developed technology and expertise, and proprietary software, as discussed in note D. Such intangible assets are stated at fair value at the time of the acquisition. The definite-lived intangible assets are being amortized over estimated periods of benefit using the straight-line method.

***Impairment of Long-lived Assets***

The Company reviews long-lived assets (excluding goodwill – see below) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair values of the assets. At December 29, 2018 and December 30, 2017, no impairment was identified.

***Goodwill***

Goodwill represents the excess of purchase price paid over net assets acquired in a business combination. The Company evaluates the carrying value of goodwill, which represents the excess of the purchase price over the underlying tangible and intangible assets acquired and liabilities assumed, at year end and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant change in legal factors or business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company first compares the fair value of the reporting unit to the carrying amount. If the carrying amount exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of goodwill to its carrying amount. The Company completed its annual evaluation of goodwill and concluded there was no impairment for the years ended December 29, 2018 and December 30, 2017, respectively.

***Fair Value of Financial Instruments***

ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company's financial instruments are cash, trade accounts receivable, accounts payable, accrued liabilities and debt. The recorded values of cash, trade accounts receivable, accounts payable and accrued liabilities approximate their fair values based on their short-term nature. Management believes the recorded values of debt approximate their fair values, as interest rates approximate market rates.

***Advertising Costs***

Costs incurred with respect to advertising, marketing and promotions are expensed when incurred. Advertising costs totaled $606,930 and $436,607 for the years ended December 29, 2018 and December 30, 2017, respectively.

***Research and Development Costs***

Costs incurred with respect to research and development are expensed when incurred. The treatment of research and development costs associated with internally developed software is discussed in note C. Research and development costs totaled $1,912,230 and $1,943,111 for the years ended December 29, 2018 and December 30, 2017, respectively.

***Income Taxes***

U.S. federal and state income taxes are provided based on the asset and liability method. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax effects of these differences are recorded as deferred income taxes. Deferred tax assets are evaluated at least annually as to their likelihood of recovery, and a valuation reserve would be recognized where it is more likely than not that the asset will not be realized.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applies the uncertain tax position guidance to all tax positions for which the statute of limitations remains open. No material uncertain tax positions were noted for the years ended December 29, 2018 and December 30, 2017.

The Company recognizes interest relating to income tax matters as a component of interest expense and recognizes penalties relating to income tax matters as a component of general and administrative expenses. Such interest and penalties have historically been immaterial.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment. The Company is not currently subject to any income tax examinations by tax authorities.

The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The Act reduces the US federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earning of foreign subsidiaries that were previously deferred and creates new taxes on certain foreign sourced earnings. The tax rate reduction from 35% to 21% resulted in a reduction of the value of the Company's net deferred tax assets (which represent future tax benefits) as of December 30, 2017 in the amount of approximately $787,000.

***Share-based Compensation***

The Company measures all share-based payments, including grants of employee stock options, at fair value and expenses such payments and option grants in the consolidated statements of operations. The cost of employee services received in exchange for an award of equity instruments is measured based on the grant date fair value of the award and the probability of the award being received by the employee. The cost associated with the award is recognized over the period an employee is required to provide service in exchange for the award. Stock options are granted with an exercise price not less than the fair value on the date of grant as described in note I.

***New Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB issued subsequent ASU's, which deferred the effective date of adoption and amended the original provisions of ASU 2014-09. Topic 606 (as amended) will be adopted by the Company at the beginning of its 2019 fiscal year using the 'modified retrospective method.' Under this method of adoption, contracts in process at the date of adoption (December 29, 2018), will be accounted for under Topic 606 along with all future contracts. Contracts completed prior to the date of implementation are not required to be adjusted to conform to Topic 606.

Topic 606 will also significantly expand the Company's financial statement disclosures related to revenue, including but not limited to: (i) disaggregation of revenues, (ii) information about performance obligations, (iii) significant judgements and estimates used in recognizing revenue, and (iv) transaction prices, allocation methods, and other assumptions.

The impact of ASU 2014-09 has not yet been determined, nor has the transitional impact on the Company's stockholders' equity at the date of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 will require the Company to recognize on its balance sheet (i) a liability to make lease payments (the lease liability) and (ii) a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 will be adopted by the Company at the beginning of fiscal 2020.

The Company currently leases real estate, equipment and vehicles, which are accounted for as operating leases under current U.S. GAAP. Topic 842 will result in the recognition of material lease liabilities and right-of-use assets on the Company's consolidated balance sheet at the time of adoption. The actual amount of these liabilities and related assets has not yet been determined, nor has the transitional impact on the Company's stockholders' equity at the date of adoption.

***Reclassifications***

Certain prior year amounts have been reclassified to conform to current year presentation. There is no impact on net earnings as previously reported.

## NOTE B - COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS

Information relative to the Company's uncompleted contracts is as follows:

| | December 29, 2018 | December 30, 2017 |
|---|---|---|
| Costs incurred on uncompleted contracts | $ 76,671,407 | $ 59,261,160 |
| Less billings to date | (61,890,900) | (45,139,642) |
| Less allowance for uncompleted contracts | (1,075,000) | (925,000) |
| Total | $ 13,705,507 | $ 13,196,518 |

## NOTE C - PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment and their estimated useful lives are summarized as follows:

| | December 29, 2018 | December 30, 2017 | Useful life |
|---|---|---|---|
| Buildings and building improvements | $ 467,713 | $ 428,233 | 5 – 39 years |
| Machinery and equipment | 31,758,293 | 32,282,138 | 1 – 10 years |
| Internally developed software | 3,591,029 | 3,289,600 | 3 years |
| Construction in progress | — | 16,197 | |
| Total property, plant and equipment | 35,817,035 | 36,016,168 | |
| Less accumulated depreciation | 24,005,363 | 22,871,123 | |
| Property, plant and equipment, net | $ 11,811,672 | $ 13,145,045 | |

Depreciation expense totaled $5,999,402 and $6,566,041 for the years ended December 29, 2018 and December 30, 2017, respectively. Costs related to internally developed software are expensed as incurred until deemed technologically feasible. Once feasibility is established, internally developed computer software is carried at cost and amortized over 36 months beginning when the software is ready to be marketed or based on units sold.

**NOTE D - OTHER INTANGIBLE ASSETS**

Intangible assets other than goodwill comprise the fair value allocated to existing customer relationships, technology, and proprietary software at the time of the acquisition. Amortization expense related to these intangible assets totaled $4,024,166 and $4,380,834 for the years ended December 29, 2018 and December 30, 2017, respectively.

The following is a summary of intangible assets subject to amortization:

| | December 29, 2018 | | |
|---|---|---|---|
| | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Customer relationships | $ 23,075,000 | $ 18,256,667 | $ 4,818,333 |
| Technology | 7,300,000 | 5,779,167 | 1,520,833 |
| Proprietary software | 3,150,000 | 2,913,756 | 236,244 |
| Total intangible assets | $ 33,525,000 | $ 26,949,590 | $ 6,575,410 |

| | December 30, 2017 | | |
|---|---|---|---|
| | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Customer relationships | $ 23,075,000 | $ 15,448,334 | $ 7,626,666 |
| Technology | 7,300,000 | 4,866,667 | 2,433,333 |
| Proprietary software | 3,150,000 | 2,610,423 | 539,577 |
| Total intangible assets | $ 33,525,000 | $ 22,925,424 | $ 10,599,576 |

Future annual amortization expense is as follows at December 29, 2018:

| | |
|---|---|
| 2019 | 3,408,750 |
| 2020 | 2,231,667 |
| 2021 | 340,000 |
| 2022 | 340,000 |
| 2023 | 254,993 |
| | 6,575,410 |

**NOTE E - DEFERRED FINANCING COSTS**

In connection with long-term debt refinancing discussed in note F, the Company incurred and capitalized financing fees of $3,412,672, including $125,000 of fees that are associated with the revolving line of credit. These fees are being amortized to interest expense over the term of the related notes using a method that approximates the effective interest method. Net deferred financing fees were $2,616,382 and $3,298,917 at December 29, 2018 and December 30, 2017, respectively.

Amortization expense totaled $682,535 and $447,587 for the years ended December 29, 2018 and December 30, 2017, respectively. Accumulated amortization is $796,291 and $113,756 as of December 29, 2018 and December 30, 2017, respectively.

Future annual amortization expense is as follows at December 29, 2018:

| | | |
|---|---|---|
| 2019 | $ | 682,535 |
| 2020 | | 682,535 |
| 2021 | | 682,535 |
| 2022 | | 568,777 |
| | $ | 2,616,382 |

**NOTE F - LONG-TERM DEBT**

Long-term debt consists of the following at December 29, 2018 and December 30, 2017:

| | December 29, 2018 | | December 30, 2017 | |
|---|---|---|---|---|
| Senior term note | $ | 61,000,000 | $ | 62,000,000 |
| Less deferred financing costs | | (2,520,548) | | (3,178,083) |
| Senior term note, less deferred financing costs | | 58,479,452 | | 58,821,917 |
| Less current maturities | | (2,159,747) | | (1,000,000) |
| Long-term debt, less current maturities | $ | 56,319,705 | $ | 57,821,917 |

On November 17, 2017, the Company terminated its previous financing agreement and entered into a new credit agreement (Credit Agreement). The Credit Agreement established a term loan in an aggregate original principal amount of $62,000,000 and a revolving line of credit of $5,000,000, for a total borrowing capacity of $67,000,000. The term loan and the revolving line of credit bear interest at a variable rate. The effective rate on the senior term note was 9.59% as of December 29, 2018. In addition, there is a fee based on the unused portion of the revolving line of credit, payable monthly at a rate of 0.50%. The term loan and line of credit advances may be prepaid at any time and mature on November 17, 2022.

Borrowings are collateralized by substantially all of the assets of the Company. The agreements require compliance with certain affirmative and negative covenants including, but not limited to, fixed charge coverage, maximum leverage ratio and maximum capital expenditures, beginning March 31, 2018. The Company is in compliance with all covenants as of December 29, 2018. The Company has collateralized letters of credit in the amount of $331,710 as of December 29, 2018.

Future annual maturities of debt are as follows at December 29, 2018:

| | | |
|---|---|---|
| 2019 | $ | 2,159,747 |
| 2020 | | 1,000,000 |
| 2021 | | 1,000,000 |
| 2022 | | 56,840,253 |
| | $ | 61,000,000 |

**NOTE G - INCOME TAXES**

The expense (benefit) for income taxes consists of the following for the years ended December 29, 2018 and December 30, 2017:

| | | December 29, 2018 | | December 30, 2017 |
|---|---|---|---|---|
| Current (benefit) provision | | | | |
| Federal | $ | (86,114) | $ | 90,923 |
| State | | 58,114 | | 34,991 |
| Foreign | | 31,009 | | 15,569 |
| Deferred provision (benefit) | | | | |
| Federal | | 581,751 | | (1,143,784) |
| State | | 88,286 | | (284,914) |
| Total | $ | 673,046 | $ | (1,287,215) |

The income tax provisions for the years ended December 29, 2018 and December 30, 2017, differ from the amount determined by applying the applicable U.S. federal statutory income rate of 21% to income before income taxes primarily due to the utilization of net operating losses, non-deductible expenses and goodwill amortization.

The Company recorded an income tax receivable balance of approximately $62,000, and a payable balance of approximately $118,000 at December 29, 2018 and December 30, 2017, respectively. The income tax receivable is recorded in prepaid expenses and other current assets on the accompanying consolidated balance sheets.

The Company has recognized tax-deductible goodwill of $8,171,488 to be amortized over a 15-year period.

Deferred tax assets and liabilities reflect temporary differences between financial and tax reporting. Components of deferred tax assets and liabilities as of December 29, 2018 and December 30, 2017, as follows:

| | December 29, 2018 | December 30, 2017 |
|---|---|---|
| Deferred tax assets (liabilities) | | |
| Accrued compensation | $ 208,383 | $ 675,100 |
| Allowance for receivables and uncompleted projects | 355,675 | 335,693 |
| Property, plant and equipment | (2,507,616) | (2,352,107) |
| Intangible assets | (18,059) | (838,946) |
| Accrued management fees | 449,324 | 383,265 |
| Other | 630,175 | 58,762 |
| Transaction costs | (40,803) | 164,745 |
| Federal net operating loss | 1,396,225 | 2,499,861 |
| State net operating loss | 285,357 | 502,325 |
| Net deferred taxes | $ 758,661 | $ 1,428,698 |

Management has determined that, based on reversals of deferred tax liabilities, expected future operating plans and tax-planning strategies available to the Company, the deferred tax assets at December 29, 2018, are more likely than not to be realized. The Company has net operating loss carryforwards of approximately $6,649,000 that expire at various dates through 2036.

## NOTE H - 401(k) RETIREMENT PLAN

The Company has a defined contribution plan, which is qualified under Section 401(k) of the Internal Revenue Code. Eligible employees can contribute up to 25% of their pay. The Company will match employee contributions at a percentage determined annually by senior management. In addition, the Company may make discretionary contributions to the plan. Employer contributions to the plan totaled $1,150,924 and $366,757 for the years ended December 29, 2018 and December 30, 2017, respectively, and $625,000 is accrued as of December 29, 2018, as a discretionary contribution.

## NOTE I - STOCKHOLDERS' EQUITY

***Common and Preferred Shares***

The total number of all classes of capital stock that the Company has the authority to issue is 350,000 shares, divided into two classes, of which 200,000 shares, $1.00 par value, are designated as common stock and 150,000 shares are designated as preferred stock. Preferred stock in the amount of 100,000 shares, $1.00 par value, is designated as Series A Preferred, and preferred stock in the amount of 10,000 shares, $0.01 par value, is designated as Series B Preferred. The Series A Preferred participates equally with the common stock on all cash and stock dividends declared or paid. The Series A preferred is convertible to common stock at the option of the shareholder. The Series A Preferred and Series B Preferred are entitled to cumulative dividends at a rate of 10% and 20% per annum, respectively, on the liquidation value of the stock. No dividends have been declared, and $51,450,331 of unpaid dividends have accumulated as of December 29, 2018. There are 46,766 Series A Preferred shares and 7,000 Series B Preferred shares issued and outstanding at December 29, 2018 and December 30, 2017. There are no common shares issued and outstanding at December 29, 2018 and December 30, 2017.

***Share-based Compensation***

The Company’s 2012 Equity Incentive Plan (the Plan) permitted the grant of shares to its employees for up to 4,820 shares of common stock. In June 2014, the Plan was amended to increase the permitted shares to be granted to 7,085 shares of common stock. The options expire 10 years after the date of grant. Unless terminated for cause, participants who terminate employment have 90 days to exercise their vested options or they are forfeited. Participants who are terminated for cause may only exercise vested options up to the day of their termination.

There are 2,610 shares available for option grants at December 29, 2018. The amount of compensation expense recognized for the years ended December 29, 2018 and December 30, 2017, was $163,600 and $137,799, respectively, with a corresponding amount credited to additional paid-in capital.

The following is a summary of changes in outstanding options for the years ended December 29, 2018 and December 30, 2017:

| | Shares | Weighted-average exercise price | Weighted-average remaining contract life (months) |
|---|---|---|---|
| Outstanding at December 31, 2016 | 4,798 | 1,577 | 89 |
| Vested and exercisable at December 31, 2016 | 1,164 | 1,450 | 85 |
| Granted | — | — | 0 |
| Forfeited | (390) | 1,685 | 77 |
| Outstanding at December 30, 2017 | 4,408 | 1,565 | 77 |
| Vested and exercisable at December 30, 2017 | 932 | 1,459 | 74 |
| Granted | 260 | 1,000 | 109 |
| Forfeited | (193) | 1,000 | 109 |
| Outstanding at December 29, 2018 | 4,475 | 1,077 | 67 |
| Vested and exercisable at December 29, 2018 | 1,067 | 1,107 | 61 |

## NOTE J - CONCENTRATION OF CREDIT RISK

The Company periodically maintains deposits in financial institutions in excess of the insurable limits established by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The Company grants credit in the normal course of business to its customers. The Company’s customers come from a wide range of industries. Except as detailed below, concentration of credit risk with respect to revenues is considered minimal due to the Company’s diverse customer base and the customers’ geographic dispersion. As part of its ongoing control procedures, the Company continually monitors the creditworthiness of its customers. The Company does not require collateral or other security to support credit sales.

A portion of the Company's business is conducted with federal, state and local governmental agencies. Approximately 47% of the Company's revenues were generated from contracts with governmental agencies for the year ended December 29, 2018. Approximately 52% of the Company's revenues were generated from contracts with governmental agencies for the year ended December 30, 2017. Governmental agencies also comprised 34% and 23% of the Company's accounts receivable at December 29, 2018 and December 30, 2017, respectively.

The Company had one non-governmental agency customer that accounted for greater than 10% of revenues for the year ended December 30, 2017.

## NOTE K - RELATED-PARTY TRANSACTIONS

The Company is required to pay management fees to Arlington Capital Partners (ACP) in the amount of $750,000 for the years ended December 29, 2018 and December 30, 2017. ACP is related to Geospatial Holdings Inc. as a majority stockholder and provides financial management and advisory services in exchange for a fee. Due to the timing of the required fee payments, the related expenses recognized in the years totaled $1,000,000 and $500,000 for the years ended December 29, 2018 and December 30, 2017.

As of December 29, 2018 and December 30, 2017, there was $1,750,000 and $1,500,000, respectively, payable to ACP, which is recorded within accrued expenses in the accompanying consolidated balance sheets. As disclosed in note L, the Company leases certain office properties from a related party.

## NOTE L - OPERATING LEASES

The Company leases real estate, equipment and vehicles under third-party and related-party operating lease agreements. These leases expire at various dates through 2044 and, in some cases, contain escalating rent clauses and renewal options. For leases with escalating clauses, the Company has recorded rent expense on a straight-line basis. The deferred rent liability associated with these leases is recorded in accrued expenses in the accompanying consolidated balance sheets. Rent expense totaled $3,236,425 and $3,037,333 for the years ended December 29, 2018 and December 30, 2017, respectively. Rent payments made to related parties were $561,179 and $667,845 for the years ended December 29, 2018 and December 30, 2017, respectively.

Future minimum lease payments under non-cancellable leases are as follows at December 29, 2018:

| | Third party | Related party | Total |
|---|---|---|---|
| 2019 | $ 1,945,081 | $ 370,589 | $ 2,315,670 |
| 2020 | 1,409,552 | — | 1,409,552 |
| 2021 | 1,267,940 | — | 1,267,940 |
| 2022 | 1,173,011 | — | 1,173,011 |
| 2023 | 249,228 | — | 249,228 |
| Thereafter | 550,116 | — | 550,116 |
| | $ 6,594,928 | $ 370,589 | $ 6,965,517 |

## NOTE M - CAPITAL LEASES

The Company leases certain equipment under agreements that meet the criteria to be classified as capital leases. The cost of equipment under capital leases is included in the accompanying consolidated balance sheets as property, plant and equipment and was $486,233 at December 29, 2018 and December 30, 2017. Accumulated amortization of the leased equipment at December 29, 2018 and December 30, 2017, was $486,233 and $378,181, respectively. Amortization of assets under capital leases is included in depreciation expense. There are no remaining capital lease obligations at December 29, 2018.

## NOTE N - COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations or liquidity.

The Company is self-insured for health benefit claims up to a stop-loss amount per employee per year. The Company records an estimated liability for claims reported and claims incurred but not reported. It is possible that incurred but not reported claims may result in losses in excess of the amount accrued; however, in the opinion of management, any such claims would not have a material adverse impact on the Company's financial position.

## NOTE O - ADDITIONAL FINANCIAL INFORMATION

Accrued expenses consist of the following at December 29, 2018 and December 30, 2017:

| | December 29, 2018 | December 30, 2017 |
|---|---|---|
| Bonus | $ 2,088,215 | $ 1,415,446 |
| Management and director fees | 1,807,192 | 1,541,500 |
| Equipment | 1,596,857 | — |
| Payroll | 1,284,097 | 1,558,119 |
| Other | 3,671,481 | 3,703,113 |
| Total | $ 10,447,842 | $ 8,218,178 |

## NOTE P - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 23, 2019, the date which the consolidated financial statements were originally issued, and through February 26, 2020 (unaudited), the date these consolidated financial statements were revised. The Company is not aware of any subsequent events which would require recognition or disclosure in these financial statements.

# Consolidated Financial Statements and Report of Independent Certified Public Accountants

## Geospatial Holdings Inc. and Subsidiaries

December 31, 2016

# Contents

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors
Geospatial Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of Geospatial Holdings, Inc. (a Delaware corporation) and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, changes in stockholders' 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Geospatial Holdings Inc. and subsidiaries as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Milwaukee, Wisconsin

November 30, 2017 (except for Notes A and H, as to which the date is February 26, 2020)

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED BALANCE SHEET**

**December 31, 2016**

| **ASSETS** | | December 31, 2016 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ | 5,281,664 |
| Trade accounts receivable, net | | 10,328,174 |
| Unbilled retainage receivable | | 264,711 |
| Costs and estimated earnings in excess of billings on uncompleted contracts, net | | 7,700,581 |
| Prepaid expenses and other current assets | | 1,325,342 |
| Total current assets | | 24,900,472 |
| **PROPERTY, PLANT AND EQUIPMENT, NET** | | 15,231,676 |
| **OTHER ASSETS** | | |
| Goodwill | | 43,851,990 |
| Other intangible assets, net | | 14,980,410 |
| **TOTAL ASSETS** | $ | 98,964,548 |

## Geospatial Holdings Inc. and Subsidiaries

## CONSOLIDATED BALANCE SHEET - CONTINUED

## December 31, 2016

| LIABILITIES AND STOCKHOLDERS' EQUITY | | December 31, 2016 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Current maturities of long-term debt, less deferred financing costs | $ | 2,100,000 |
| Current maturities of capital lease obligations | | 151,581 |
| Accounts payable | | 4,965,074 |
| Accrued expenses | | 4,162,766 |
| Deferred revenues | | 675,605 |
| Total current liabilities | | 12,055,026 |
| **LONG-TERM OBLIGATIONS** | | |
| Long-term debt, less current maturities and deferred financing costs | | 47,597,489 |
| Revolving line of credit, less deferred financing costs | | 8,991,489 |
| Capital lease obligations, less current maturities | | 115,266 |
| Total liabilities | | 68,759,270 |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock | | — |
| Preferred stock | | 46,836 |
| Additional paid in capital | | 63,650,762 |
| Retained deficit | | (33,492,320) |
| Total stockholders' equity | | 30,205,278 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ | 98,964,548 |

The accompanying notes are an integral part of this consolidated financial statement.

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED STATEMENT OF OPERATIONS**

**Year ended December 31, 2016**

| | | December 31, 2016 |
|---|---|---|
| Net sales | $ | 82,935,927 |
| Cost of sales | | 61,142,986 |
| Gross profit | | 21,792,941 |
| Selling, general and administrative expenses | | 19,089,089 |
| Amortization of intangible assets | | 4,653,611 |
| Management fee to affiliated company | | 500,000 |
| Operating loss | | (2,449,759) |
| Other expenses | | |
| Interest expense, net | | 5,576,909 |
| Other expense, net | | 1,043,632 |
| Loss before provision for income taxes | | (9,070,300) |
| Income tax benefit | | (2,071,599) |
| **NET LOSS** | $ | (6,998,701) |

The accompanying notes are an integral part of this consolidated financial statement.

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

**Year ended December 31, 2016**

| | Common stock | | Preferred stock | | Additional paid-in capital | Retained deficit | Total stockholders' equity |
|---|---|---|---|---|---|---|---|
| | Class A | Class B | Series A | Series B | | | |
| **Balance at January 2, 2016** | $ — | $ — | $ 46,766 | $ 40 | $ 60,521,490 | $ (26,493,619) | $ 34,074,677 |
| Issuance of preferred stock | — | — | — | 30 | 2,999,970 | — | 3,000,000 |
| Share-based compensation | — | — | — | — | 129,302 | — | 129,302 |
| Net loss | — | — | — | — | — | (6,998,701) | (6,998,701) |
| **Balance at December 31, 2016** | $ — | $ — | $ 46,766 | $ 70 | $ 63,650,762 | $ (33,492,320) | $ 30,205,278 |

The accompanying notes are an integral part of this consolidated financial statement.

**Geospatial Holdings Inc. and Subsidiaries**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year ended December 31, 2016**

| | | December 31, 2016 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ | (6,998,701) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | |
| Depreciation and amortization | | 12,106,541 |
| Gain on disposal of property, plant and equipment | | (353,271) |
| Share-based compensation | | 129,302 |
| Deferred tax benefit | | (2,113,575) |
| Payable in-kind interest added to debt | | 774,824 |
| Changes in operating assets and liabilities | | |
| Trade accounts receivable | | 874,324 |
| Unbilled retainage receivable | | 750,349 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | | 4,807,038 |
| Prepaid expenses and other assets | | 626,406 |
| Accounts payable | | (5,386,358) |
| Accrued expenses | | (1,051,097) |
| Deferred revenues | | (188,944) |
| Net cash provided by operating activities | | 3,976,838 |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of property, plant and equipment | | 1,848,446 |
| Purchases of property, plant and equipment | | (2,861,604) |
| Net cash used in investing activities | | (1,013,158) |
| **Cash flows from financing activities:** | | |
| Issuance of preferred stock | | 3,000,000 |
| Proceeds from revolving line of credit draw | | 2,000,000 |
| Repayments of long-term debt | | (3,500,000) |
| Repayments of notes payable | | (2,651,161) |
| Repayments on capital leases | | (158,739) |
| Net cash used in financing activities | | (1,309,900) |
| Net increase in cash and cash equivalents | | 1,653,780 |
| **Cash and cash equivalents at beginning of year** | | 3,627,884 |
| **Cash and cash equivalents at end of year** | $ | 5,281,664 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid during the year for | | |
| Interest | $ | 4,302,495 |
| Income taxes | | 28,713 |

The accompanying notes are an integral part of this consolidated financial statement.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Quantum Spatial, Inc. (Quantum Spatial or the Company) is a full-service geospatial solutions provider serving the North American market. Using its advanced LiDAR sensors and digital imagery cameras, the Company offers a diverse portfolio of imaging and remote sensing technologies that provide the capabilities for acquisition, analysis, integration and management of geospatial data. Customers in the energy, environmental, government, transportation and other markets utilize Quantum Spatial's products and services to transform complex data relationships into meaningful and actionable information.

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

### *Basis of Presentation*

The Company's accounting period ends on the Saturday nearest December 31. The 2016 year ended on December 31, 2016.

### *Principles of Consolidation*

The consolidated financial statements include the accounts of Geospatial Holdings, Inc., its wholly owned holding company, Aero-Metric Holdings Corp. and its wholly owned subsidiary, Quantum Spatial. On December 31, 2015, Quantum Spatial's wholly owned subsidiaries Photo Science, Inc. and Watershed Sciences, Inc. were dissolved and merged into Quantum Spatial. All intercompany balances and transactions have been eliminated in consolidation.

### *Use of Estimates*

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of 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*

Cash is defined as cash on hand, balances in operating bank accounts and amounts due from depository institutions. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### *Revenue and Cost Recognition*

Lump-sum Contracts

For lump-sum contracts, the Company recognizes revenue based on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract (cost-to-cost method), in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 605-35, *Construction-Type and Production-Type Contracts.* This method is used as management believes costs to be the best available measure of progress on these contracts. Contracts are considered complete when the work is substantially complete and accepted by the customer.

Time and Material Contracts

For time and material contracts, revenue is recognized as the work is performed in accordance with the guidance prescribed by ASC 605-35.

Milestone Contracts

For contracts that have fixed deliverables upon completion of individual milestones or upon completion of the project as a whole, the Company has applied revenue recognition guidance as prescribed by ASC 605-28, *Milestone Method*. Individual milestones are based on the completion of substantive steps outlined in the related contracts. These steps are defined by specific work to be performed, such as the flight plan, imagery design, aerial triangulation and mapping. Each step is unique and the steps are determined at the inception of the arrangement. The Company has historically applied a milestone method approach and recognizes revenue on these contracts after milestones are completed, the customer has been invoiced and collection is reasonably assured.

Contract costs associated with all of the above include all direct labor and material costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, insurance, repairs and depreciation. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to both cost of construction and revenues and are recognized in the period in which the revisions are determined. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed and are reported net of an allowance for losses in the amount of $40,000 as of December 31, 2016.

Software and Support Sales

For computer software and support arrangements that include multiple deliverables, the Company has applied the software revenue recognition rules as prescribed by ASC 985-605, *Software - Revenue Recognition*. Under the software revenue recognition rules, the fee from a multiple-deliverable arrangement is allocated to each of the undelivered elements based on vendor-specific objective evidence, which is limited to the price charged when the same deliverable is sold separately, with the residual value from the arrangement allocated to the delivered element. The portion of the fee that is allocated to each deliverable is then recognized as revenue when the criteria for revenue recognition are met with respect to that deliverable. All software revenue arrangements have been accounted for under this guidance. Computer software revenue is generally recognized upon delivery. Revenue related to post-contract customer support (PCS) is recognized over the period of the support to be provided. PCS arrangements typically have a term of one year.

Costs incurred to generate computer software, hardware and support-related revenue include research and development costs associated with product development, costs related to product support and installation, and inventory costs related to hardware sales. Amounts billed and collected before the services are performed are included in deferred revenues.

***Trade Accounts Receivable***

The Company's receivables are stated at the amount the Company expects to collect from outstanding balances. The Company provides for estimated uncollectible amounts, including sales discounts and allowances, through a charge to income and a credit to a valuation allowance based on management's assessment of the current status of individual accounts, giving consideration to historical experience and existing economic conditions. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Accounts receivable are ordinarily due upon receipt. Accounts receivable at December 31, 2016 is reported net of an allowance for doubtful accounts of $751,522.

***Unbilled Retainage Receivable***

Unbilled retainage receivables represent revenue earned but not billed to customers until future dates, usually when a contract is approved by the customer.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Expenditures for major additions and improvements are capitalized, while minor repairs and maintenance are charged to expense as incurred. Depreciation is based on the estimated useful lives of depreciable assets and is provided using the straight-line method. When property is disposed of, the asset and related accumulated depreciation are removed from the accounts. Any resulting gain or loss is reflected in operations in the period incurred.

***Intangible Assets***

Intangible assets, not including goodwill, are composed of definite-lived customer relationships, non-compete agreements, internally developed technology and expertise, proprietary software, backlog and trademarks, as discussed in note D. Such intangible assets are stated at fair value at the time of the acquisition. The definite-lived intangible assets are being amortized over estimated periods of benefit using the straight-line method.

***Impairment of Long-lived Assets***

The Company reviews long-lived assets (excluding goodwill – see below) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair values of the assets. At December 31, 2016, no impairment was identified.

***Goodwill***

Goodwill represents the excess of purchase price paid over net assets acquired in a business combination. The Company evaluates the carrying value of goodwill, which represents the excess of the purchase price over the underlying tangible and intangible assets acquired and liabilities assumed, at year end and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant change in legal factors or business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company first compares the fair value of the reporting unit to the carrying amount. If the carrying amount exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of goodwill to its carrying amount. The Company completed its annual evaluation of goodwill and concluded there was no impairment for the year ended December 31, 2016.

***Fair Value of Financial Instruments***

ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company's financial instruments are cash and cash equivalents, trade accounts receivable, accounts payable, accrued liabilities and debt. The recorded values of cash and cash equivalents, trade accounts receivable, accounts payable and accrued liabilities approximate their fair values based on their short-term nature. The recorded values of debt approximate their fair values, as interest rates approximate market rates.

***Advertising Costs***

Costs incurred with respect to advertising, marketing and promotions are expensed when incurred. Advertising costs totaled $493,874 for the year ended December 31, 2016.

***Income Taxes***

U.S. federal and state income taxes are provided based on the asset and liability method. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax effects of these differences are recorded as deferred income taxes. Deferred tax assets are evaluated at least annually as to their likelihood of recovery, and a valuation reserve would be recognized where it is more likely than not that the asset will not be realized.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applies the uncertain tax position guidance to all tax positions for which the statute of limitations remains open. No material uncertain tax positions were noted for the year ended December 31, 2016.

The Company recognizes interest relating to income tax matters as a component of interest expense and recognizes penalties relating to income tax matters as a component of general and administrative expenses. Such interest and penalties have historically been immaterial.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment. The Company is generally subject to U.S. federal income tax examinations by tax authorities for years 2013 through 2016, and is subject to state and local tax examinations by tax authorities for years 2012 through 2016.

***Share-based Compensation***

The Company measures all share-based payments, including grants of employee stock options, at fair value and expenses such payments and option grants in the consolidated statements of operations. The cost of employee services received in exchange for an award of equity instruments is measured based on the grant date fair value of the award and the probability of the award being received by the employee. The cost associated with the award is recognized over the period an employee is required to provide service in exchange for the award. Stock options are granted with an exercise price not less than the fair value on the date of grant as described in note J.

***New Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers,* as a new topic, ASC Topic 606. The amendments are intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 by one year. ASU 2015-14 is effective for annual reporting periods beginning after December 15, 2018, and shall be applied using either a full retrospective or modified retrospective approach. Early adoption is permitted. The Company is in the process of evaluating the impact of ASU 2015-14 on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of the debt liability. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this update. The Company adopted this guidance during the year ended December 31, 2016, and applied it retrospectively. The impact of the adopted guidance to the Company's consolidated financial statements for the year ended January 2, 2016, was a decrease of $834,578 to deferred financing costs, a decrease of $813,302 to long-term debt, and a decrease of $21,276 to the revolving line of credit.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. ASU 2015-17 requires an entity to classify deferred tax liabilities and deferred tax assets as non-current in a classified balance sheet. ASU 2015-17 is effective for annual periods beginning after December 15, 2017, although early adoption is permitted. The Company is in the process of evaluating the impact of ASU 2015-17 on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. The standard defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Company is in the process of evaluating the impact of ASU 2016-02 on its consolidated financial statements.

## NOTE B - COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS

Information relative to the Company's uncompleted contracts is as follows:

| | December 31, 2016 |
|---|---|
| Costs incurred on uncompleted contracts | $ 60,464,816 |
| Less billings to date | (52,724,235) |
| Less allowance for losses on uncompleted contracts | (40,000) |
| Total | $ 7,700,581 |

## NOTE C - PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment and their estimated useful lives are summarized as follows:

| | December 31, 2016 | Useful life |
|---|---|---|
| Buildings and building improvements | $ 824,058 | 5 - 39 years |
| Machinery and equipment | 29,537,683 | 1 - 10 years |
| Internally developed software | 2,519,038 | 3 years |
| Total property, plant and equipment | 32,880,779 | |
| Less accumulated depreciation | 17,649,103 | |
| Property, plant and equipment, net | $ 15,231,676 | |

Depreciation expense totaled $6,952,184 for the year ended December 31, 2016.

Costs related to internally developed software are expensed as incurred until deemed technologically feasible. Once feasibility is established, internally developed computer software is carried at cost and amortized over 36 months beginning when the software is ready to be marketed or based on units sold.

The Company closed its Sheboygan, Wisconsin, production facility in late 2015. At that time, the Company adopted a plan to dispose of the land parcel, building and building improvements owned at the site. The Company actively marketed the property as commercial real estate readily available for sale to the open public. The facility was sold in late 2016, and the Company recognized a loss on disposal of $188,185.

## NOTE D - OTHER INTANGIBLE ASSETS

Intangible assets other than goodwill comprise the fair value allocated to existing customer relationships, non-compete agreements with key employees, technology, backlog, proprietary software and trademarks at the time of the acquisition. Amortization expense related to these intangible assets totaled $4,653,611 for the year ended December 31, 2016.

The cost and accumulated amortization of intangible assets follows:

| | December 31, 2016 | Weighted- average useful life |
|---|---|---|
| Customer relationships | $ 23,075,000 | 7.74 years |
| Non-compete agreements | 450,000 | 4.33 years |
| Technology | 7,300,000 | 8.00 years |
| Backlog | 1,293,000 | 0.91 years |
| Proprietary software | 3,150,000 | 4.76 years |
| Trademarks | 6,578,000 | 2.40 years |
| Total intangible assets | 41,846,000 | |
| Less accumulated amortization | (26,865,590) | |
| Other intangible assets, net | $ 14,980,410 | |

Future annual amortization expense is as follows at December 31, 2016:

| | |
|---|---|
| 2017 | $ 4,380,833 |
| 2018 | 4,024,167 |
| 2019 | 3,408,750 |
| 2020 | 2,231,667 |
| 2021 | 340,000 |
| Thereafter | 594,993 |
| | $ 14,980,410 |

## NOTE E - DEFERRED FINANCING COSTS

In conjunction with a financing transaction on August 27, 2012, the Company incurred and capitalized financing fees in the amount of $1,549,445. In conjunction with the acquisitions of Photo Science and Watershed Sciences, the Company incurred and capitalized financing fees in the amount of $390,608 and $50,000, respectively. In conjunction with an amendment to the terms of the financing arrangement on May 12, 2015, the Company incurred and capitalized financing fees in the amount of $317,750. These fees are being amortized to interest expense over the term of the related notes using a method that approximates the effective interest method. Net deferred financing fees were $333,832 at December 31, 2016.

Amortization expense totaled $500,746 for the year ended December 31, 2016. Accumulated amortization is $1,705,243 as of December 31, 2016. Amortization expense of $333,832 is expected during the year ending December 31, 2017, resulting in deferred financing costs being fully amortized.

**NOTE F - LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2016:

| | | December 31, 2016 |
|---|---|---|
| Revolving line of credit | $ | 9,000,000 |
| Less deferred financing costs | | (8,511) |
| Revolving line of credit, less deferred financing costs | $ | 8,991,489 |
| Senior term note | $ | 50,022,810 |
| Less deferred financing costs | | (325,321) |
| Senior term note, less deferred financing cost | | 49,697,489 |
| Less current maturities | | (2,100,000) |
| Long-term debt, less current maturities | $ | 47,597,489 |

In conjunction with the Photo Science transaction, on July 24, 2013, the Company amended the terms of its financing agreement. The amended agreement expanded the senior term note to $56,000,000 and included a revolving line of credit of $10,000,000 with a sublimit of $7,000,000. The agreement was amended on May 12, 2016, and the revolving line of credit sublimit was raised to $9,000,000. The Company had $9,000,000 outstanding on the revolving line of credit as of December 31, 2016. Principal payments on the senior term note are due in quarterly installments of $700,000 until maturity of the note. The senior term note and revolving line of credit may be prepaid at any time and mature on August 27, 2017. The interest rate on the senior term note and revolving line of credit is LIBOR, defined as the greater of 1.25% or the published LIBOR plus a margin of 5.50%. In conjunction with an amendment to the terms of the financing agreement on May 12, 2015, a payable in-kind (PIK) component was added. The interest rate on the PIK component is determined by reference to the senior debt leverage ratio determined for the most recently ended fiscal quarter and is payable in-kind by increasing the outstanding principal balance of the senior term note. The effective rate on the senior term note and revolving line of credit was 7.75% at December 31, 2016. In addition, there is a fee based on the unused portion of the revolving line of credit, payable quarterly at a rate of 0.63%.

Borrowings are collateralized by substantially all of the assets of the Company. The agreements require compliance with certain affirmative and negative covenants including, but not limited to, fixed charge coverage and maximum leverage ratio, maximum capital expenditures, maximum cash dividend, maximum stockholder redemptions and indebtedness. The Company was in compliance with or has obtained waivers for all covenants.

On August 25, 2017, the Company amended the terms of its financing agreement to extend the maturity date to November 27, 2017. In conjunction with this amendment, a principal payment of $700,000 was required in September of 2017.

On November 17, 2017, the Company terminated its previous financing agreement and entered into a new credit agreement (Credit Agreement). The Credit Agreement established a term loan in an aggregate original principal amount of $62,000,000 and a revolving line of credit of $5,000,000, for a total borrowing capacity of $67,000,000. The term loan and the revolving line of credit bear interest at a variable rate. The term loan and line of credit advances may be prepaid at any time and mature on November 17, 2022.

**NOTE G - NOTES PAYABLE**

In September 2014, the Company entered into a note payable with a vendor for the purchase of a sensor system. The initial principal balance of the note was $2,143,700 at an interest rate of 3.00%, requiring monthly payments of $121,943 through May 2016. In 2015, the Company entered into additional notes payable with vendors for the purchase of sensors systems and IT equipment. The initial principal balance of the notes was $4,733,082 at interest rates from 0.00% to 3.50%, requiring monthly payments through January 2017. The balance outstanding on the notes was $-0- as of December 31, 2016.

**NOTE H - INCOME TAXES**

The benefit for income taxes consists of the following for the year ended December 31, 2016:

| | | December 31, 2016 |
|---|---|---|
| Current (benefit) provision | | |
| Federal | $ | — |
| State | | 41,976 |
| Deferred benefit | | |
| Federal | | (1,971,244) |
| State | | (142,331) |
| Total | $ | (2,071,599) |

The Company recorded an income tax receivable balance of approximately $57,000 at December 31, 2016. The income tax receivable is recorded in prepaid expenses and other current assets on the accompanying consolidated balance sheet.

The Company has recognized tax-deductible goodwill of $8,171,488 to be amortized over a 15-year period.

Deferred tax assets and liabilities reflect temporary differences between financial and tax reporting. Components of deferred tax assets and liabilities as of December 31, 2016, as follows:

| | | December 31, 2016 |
|---|---|---|
| Deferred tax assets (liabilities) | | |
| Current | | |
| Accrued compensation | $ | 426,953 |
| Allowance for doubtful accounts | | 281,557 |
| Other | | (128,162) |
| Valuation allowance | | (580,348) |
| | | — |
| Non-current | | |
| Property, plant and equipment | | (4,028,439) |
| Intangible assets | | (2,611,123) |
| Transaction costs | | 341,833 |
| Accrued management fees | | 380,832 |
| PIK interest | | 586,585 |
| Federal net operating loss | | 5,195,647 |
| State net operating loss | | 563,650 |
| Other | | 92,004 |
| Valuation allowance | | (520,989) |
| | | — |
| Net deferred taxes | $ | — |

Management has determined that, based on reversals of deferred tax liabilities, expected future operating plans and tax-planning strategies available to the Company, the deferred tax assets at December 31, 2016, are not likely realizable at this time. Therefore, a valuation allowance related to such deferred tax assets has been recorded at December 31, 2016. The Company has net operating loss carryforwards of approximately $15,206,000 that expire at various dates through 2036.

**NOTE I - 401(k) RETIREMENT PLAN**

The Company has a defined contribution plan, which is qualified under Section 401(k) of the Internal Revenue Code. Eligible employees can contribute up to 25% of their pay. The Company will match employee contributions at a percentage determined annually by the board of directors. In addition, the Company may make discretionary contributions to the plan. Employer contributions to the plan totaled $135,000 for the year ended December 31, 2016.

## NOTE J - STOCKHOLDERS' EQUITY

### *Common and Preferred Shares*

The total number of all classes of capital stock that the Company has the authority to issue is 350,000 shares, divided into two classes, of which 200,000 shares, $1.00 par value, are designated as common stock and 150,000 shares are designated as preferred stock. Preferred stock in the amount of 100,000 shares, $1.00 par value, is designated as Series A Preferred, and preferred stock in the amount of 10,000 shares, $0.01 par value, is designated as Series B Preferred. The Series A Preferred participates equally with the common stock on all cash and stock dividends declared or paid. The Series A preferred is convertible to common stock at the option of the shareholder. The Series A Preferred and Series B Preferred are entitled to cumulative dividends at a rate of 10% and 20% per annum, respectively, on the liquidation value of the stock. No dividends have been declared, and $28,785,005 of unpaid dividends have accumulated as of December 31, 2016. There are 46,766 Series A Preferred shares and 7,000 Series B Preferred shares issued and outstanding at December 31, 2016. There are no common shares issued and outstanding at December 31, 2016.

### *Share-based Compensation*

The Company's 2012 Equity Incentive Plan (the Plan) permitted the grant of shares to its employees for up to 4,820 shares of common stock. In June 2014, the Plan was amended to increase the permitted shares to be granted to 7,085 shares of common stock. The options expire 10 years after the date of grant. Unless terminated for cause, participants who terminate employment have 90 days to exercise their vested options or they are forfeited. Participants who are terminated for cause may only exercise vested options up to the day of their termination.

There are 2,366 shares available for option grants at December 31, 2016. The amount of compensation expense recognized for the year ended December 31, 2016 was $129,302, with a corresponding amount credited to additional paid-in capital.

The following is a summary of changes in outstanding options for the year ended December 31, 2016:

| | Shares | Weighted-average exercise price | Weighted-average remaining contract life (months) |
|---|---|---|---|
| Vested and exercisable at January 2, 2016 | 848 | $ 1,271 | 83 |
| Granted | — | — | — |
| Forfeited | (217) | 1,568 | 96 |
| Outstanding at December 31, 2016 | 4,798 | 1,577 | 89 |
| Vested and exercisable at December 31, 2016 | 1,164 | 1,450 | 85 |

**NOTE K - CONCENTRATION OF CREDIT RISK**

The Company periodically maintains deposits in financial institutions in excess of the insurable limits established by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The Company grants credit in the normal course of business to its customers. The Company's customers come from a wide range of industries. Except as detailed below, concentration of credit risk with respect to revenues is considered minimal due to the Company's diverse customer base and the customers' geographic dispersion. As part of its ongoing control procedures, the Company continually monitors the creditworthiness of its customers. The Company does not require collateral or other security to support credit sales.

A large portion of the Company's business is conducted with federal, state and local governmental agencies. Approximately 41% of the Company's revenues were generated from contracts with governmental agencies for the year ended December 31, 2016. Governmental agencies also comprised 11% of the Company's accounts receivable at December 31, 2016.

The Company had one non-governmental agency customer that accounted for 17% of revenues for the year ended December 31, 2016.

**NOTE L - RELATED-PARTY TRANSACTIONS**

The Company is required to pay management fees to Arlington Capital Partners (ACP) in the amount of $500,000 for the year ended December 31, 2016. ACP is related to Geospatial Holdings Inc. as a majority stockholder and provides financial management and advisory services in exchange for a fee.

As of December 31, 2016, there was $1,000,000, payable to ACP, which is recorded within accrued expenses in the accompanying consolidated balance sheets. As disclosed in note M, the Company leases certain office properties at market rates from a Company director.

## NOTE M - OPERATING LEASES

The Company leases real estate, equipment and vehicles under third-party and related-party operating lease agreements. These leases expire at various dates through 2044 and, in some cases, contain escalating rent clauses and renewal options. For leases with escalating clauses, the Company has recorded rent expense on a straight-line basis. The deferred rent liability associated with these leases is recorded in accrued expenses in the accompanying consolidated balance sheets. Rent expense totaled $2,847,542 for the year ended December 31, 2016. Rent payments made to related parties were $652,665 for the year ended December 31, 2016.

Future minimum lease payments under non-cancellable leases are as follows at December 31, 2016:

| | Third party | Related party | Total |
|---|---|---|---|
| 2017 | $ 1,630,113 | $ 667,845 | $ 2,297,958 |
| 2018 | 1,182,349 | 433,059 | 1,615,408 |
| 2019 | 1,075,162 | 92,548 | 1,167,710 |
| 2020 | 843,355 | — | 843,355 |
| 2021 | 867,610 | — | 867,610 |
| Thereafter | 1,691,936 | — | 1,691,936 |
| | $ 7,290,525 | $ 1,193,452 | $ 8,483,977 |

## NOTE N - CAPITAL LEASES

The Company leases certain equipment under agreements that meet the criteria to be classified as capital leases. The cost of equipment under capital leases is included in the accompanying consolidated balance sheet as property, plant and equipment and was $486,233 at December 31, 2016. Accumulated amortization of the leased equipment at December 31, 2016, was $216,104. Amortization of assets under capital leases is included in depreciation expense.

Future minimum lease payments under non-cancellable capital leases are as follows at December 31, 2016:

| | |
|---|---|
| 2017 | $ 161,867 |
| 2018 | 117,721 |
| Total minimum lease payments | 279,588 |
| Less amount representing interest | 12,741 |
| Present value of minimum lease payments due under capital leases | 266,847 |
| Less current maturities | 151,581 |
| Capital lease obligations, less current maturities | $ 115,266 |

## NOTE O - COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations or liquidity.

The Company is self-insured for health benefit claims up to a stop-loss amount per employee per year. The Company records an estimated liability for claims reported and claims incurred but not reported. It is possible that incurred but not reported claims may result in losses in excess of the amount accrued; however, in the opinion of management, any such claims would not have a material adverse impact on the Company's financial position.

## NOTE P - ADDITIONAL FINANCIAL INFORMATION

Accrued expenses consist of the following at December 31, 2016:

| | | December 31, 2016 |
|---|---|---|
| Payroll | $ | 1,265,673 |
| Management and director fees | | 1,017,833 |
| Accrued vacation | | 604,596 |
| Other | | 1,274,664 |
| Total | $ | 4,162,766 |

## NOTE Q - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 30, 2017, the date which the consolidated financial statements were originally issued, and through February 26, 2020 (unaudited), the date through which these consolidated financial statements were revised. With the exception of the changes in Notes F and the matter described below, the Company is not aware of any subsequent events which would require recognition or disclosure in these consolidated financial statements.

In 2017, the Company established Quantum Spatial India Private Limited. Quantum Spatial owns 99.99% of this entity with the remaining 0.01% owned by Aero-Metric Holdings Corp. There was no activity at this entity during the year ending December 31, 2016.

Exhibit 99.3

# Condensed Consolidated Interim Financial Statements (Unaudited)

## Geospatial Holdings Inc. and Subsidiaries

As of September 28, 2019 and for the nine months ended September 28, 2019 and September 29, 2018

Page

**Contents**

**Geospatial Holdings Inc. and Subsidiaries**

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

**September 28, 2019**

| **ASSETS** | | September 28, 2019 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash | $ | 9,529,549 |
| Trade accounts receivable, net | | 13,920,892 |
| Unbilled retainage receivable | | 287,931 |
| Costs and estimated earnings in excess of billings on uncompleted contracts, net | | 21,108,357 |
| Prepaid expenses and other current assets | | 4,804,831 |
| Total current assets | | 49,651,560 |
| **PROPERTY, PLANT AND EQUIPMENT, NET** | | 12,869,318 |
| **OTHER ASSETS** | | |
| Goodwill | | 43,851,990 |
| Other intangible assets, net | | 3,961,035 |
| Deferred financing costs, net | | 221,250 |
| Deferred income taxes, net | | — |
| **TOTAL ASSETS** | $ | 110,555,153 |

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

**Geospatial Holdings Inc. and Subsidiaries**

**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) – CONTINUED**

**September 28, 2019**

| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | September 28, 2019 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Current maturities of long-term debt | $ | 1,072,500 |
| Accounts payable | | 10,281,482 |
| Accrued expenses | | 9,230,026 |
| Deferred revenues | | 695,938 |
| Total current liabilities | | 21,279,946 |
| **LONG-TERM OBLIGATIONS** | | |
| Deferred income taxes, net | | 376,871 |
| Long-term debt, less current maturities | | 139,446,425 |
| Total liabilities | | 161,103,242 |
| **STOCKHOLDERS' DEFICIT** | | |
| Common stock | | — |
| Preferred stock | | 46,766 |
| Additional paid in capital | | 57,042,231 |
| Retained deficit | | (107,637,086) |
| Total stockholders' deficit | | (50,548,089) |
| **TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT** | $ | 110,555,153 |

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

**Geospatial Holdings Inc. and Subsidiaries**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

**Nine months ended September 28, 2019 and September 29, 2018**

| | September 28, 2019 | September 29, 2018 |
|---|---|---|
| **Net sales** | $ 94,190,684 | $ 77,364,162 |
| **Cost of sales** | 59,696,756 | 51,975,511 |
| Gross profit | 34,493,928 | 25,388,651 |
| Selling, general and administrative expenses | 16,405,620 | 15,337,886 |
| Amortization of intangible assets | 2,614,375 | 3,128,958 |
| Management fee to affiliated company | 562,500 | 375,000 |
| Operating profit | 14,911,433 | 6,546,807 |
| **Other expenses** | | |
| Interest expense, net | 7,781,360 | 4,739,205 |
| Other expense, net | 1,278,728 | 1,434,455 |
| Income before provision for income taxes | 5,851,345 | 373,147 |
| Income tax expense | 1,898,684 | 323,691 |
| **NET INCOME** | $ 3,952,661 | $ 49,456 |

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

**Geospatial Holdings Inc. and Subsidiaries**

**CONDENSED CONSOLIDATED STATEMENTS CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)(UNAUDITED)**

**Nine months ended September 28, 2019 and September 29, 2018**

| | Common stock | | Preferred stock | | Additional paid-in capital | Retained deficit | Total stockholders' equity |
|---|---|---|---|---|---|---|---|
| | Class A | Class B | Series A | Series B | | | |
| **Balance at December 30, 2017** | $ — | $ — | $ 46,766 | $ 70 | $ 63,788,561 | $ (35,355,695) | $ 28,479,702 |
| Share-based compensation | — | — | — | — | 90,000 | — | 90,000 |
| Net income | — | — | — | — | — | 49,456 | 49,456 |
| **Balance at September 29, 2018** | $ — | $ — | $ 46,766 | $ 70 | $ 63,878,561 | $ (35,306,239) | $ 28,619,158 |

| | Common stock | | Preferred stock | | Additional paid-in capital | Retained deficit | Total stockholders' equity |
|---|---|---|---|---|---|---|---|
| | Class A | Class B | Series A | Series B | | | |
| **Balance at December 29, 2018** | $ — | $ — | $ 46,766 | $ 70 | $ 63,952,161 | $ (34,385,421) | $ 29,613,576 |
| Share-based compensation | — | — | — | — | 90,000 | — | 90,000 |
| Retirement of preferred stock | — | — | — | (70) | (6,999,930) | — | (7,000,000) |
| Dividends paid and payable | — | — | — | — | — | (77,204,326) | (77,204,326) |
| Net income | — | — | — | — | — | 3,952,661 | 3,952,661 |
| **Balance at September 28, 2019** | $ — | $ — | $ 46,766 | $ — | $ 57,042,231 | $ (107,637,086) | $ (50,548,089) |

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

**Geospatial Holdings Inc. and Subsidiaries**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

**September 28, 2019 and September 29, 2018**

| | September 28, 2019 | September 29, 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income | $ 3,952,661 | $ 49,456 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 9,612,006 | 8,403,016 |
| Gain on disposal of property, plant and equipment | (532,153) | (64,273) |
| Share-based compensation | 90,000 | 90,000 |
| Deferred tax expense | 1,135,532 | 303,823 |
| Changes in operating assets and liabilities | | |
| Trade accounts receivable | 3,191,283 | (273,276) |
| Unbilled retainage receivable | (52,442) | (208,570) |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (7,402,850) | (3,519,554) |
| Prepaid expenses and other assets | (2,135,842) | (858,500) |
| Accounts payable | 259,940 | 1,713,474 |
| Accrued expenses | (1,345,338) | (2,349,586) |
| Deferred revenues | 142,303 | (85,823) |
| Net cash provided by operating activities | 6,915,100 | 3,200,187 |
| **Cash flows from investing activities:** | | |
| Proceeds from sales of property, plant and equipment | 724,953 | 188,880 |
| Purchases of property, plant and equipment | (5,585,893) | (2,647,053) |
| Net cash used in investing activities | (4,860,940) | (2,458,173) |
| **Cash flows from financing activities:** | | |
| Retirement of preferred stock | (7,000,000) | — |
| Dividends Paid | (77,076,804) | — |
| Proceeds from long-term debt | 143,000,000 | — |
| Repayments of long-term debt | (61,000,000) | (750,000) |
| Proceeds from notes payable | 3,349,824 | — |
| Repayments of notes payable | (3,349,824) | — |
| Repayments on capital leases | — | (100,970) |
| Payment of deferred financing costs | (2,748,127) | — |
| Net cash used in financing activities | (4,824,931) | (850,970) |
| Net decrease in cash | (2,770,771) | (108,956) |
| Cash at beginning of year | 12,300,320 | 9,765,817 |
| Cash at end of year | $ 9,529,549 | $ 9,656,861 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid (net of refunds) during the year for | | |
| Interest | $ 7,574,497 | $ 4,795,384 |
| Income taxes | 1,151,547 | 43,561 |

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

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Quantum Spatial, Inc. (Quantum Spatial or the Company) is a full-service geospatial solutions provider serving the North American market. The Company provides a full suite of geospatial data enrichment and analytic solutions derived from the Company's proprietary data processing algorithms and software. The Company provides its clients with geospatial analysis and insights using high-value terrestrial and topo-bathymetric LiDAR, hyperspectral imagery, digital orthoimagery, thermal infrared and oblique imagery. Clients in the federal, state and commercial markets, including utilities, oil & gas and others, utilize Quantum Spatial's products and services to transform complex data relationships into meaningful and actionable information.

A summary of the significant accounting policies applied in the preparation of the accompanying unaudited condensed consolidated interim financial statements follows.

### *Basis of Presentation*

The Company's accounting period ends on the Saturday nearest September 30. The 2019 and 2018 year-to-date periods ended on September 28, 2019 and September 29, 2018, respectively. The accompanying unaudited condensed consolidated interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and are unaudited. Accordingly, they do not include all information and disclosures required to be included in annual financial statements. The information contained in the accompanying condensed consolidated interim financial statements and the notes thereto should be read in conjunction with the consolidated financial statements and the notes thereto for the period ended December 29, 2018 (the "Annual Financial Statements"). These condensed consolidated interim financial statements do not repeat disclosures that would substantially duplicate disclosures included in the Annual Financial Statements or details of accounts that have not been changed significantly in amounts or composition. The interim unaudited condensed consolidated interim financial statements have been prepared on the same basis as the Company's Annual Financial Statements. In the opinion of management, the accompanying condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for the fair presentation of these condensed consolidated interim financial statements. The results for the nine months ended September 28, 2019 are not necessarily indicative of the results that could be expected for the year ended December 28, 2019.

### *Principles of Consolidation*

The condensed consolidated interim financial statements include the accounts of Geospatial Holdings, Inc., its wholly owned holding company, Aero-Metric Holdings Corp., its wholly owned subsidiaries, Quantum Spatial, Quantum Spatial India Private Limited and Quantum Spatial Canada Inc. All intercompany balances and transactions have been eliminated in consolidation.

### *Use of Estimates*

In preparing the condensed consolidated interim financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of condensed consolidated interim financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Revenue and Cost Recognition*

Software and Support Sales

For computer software and support arrangements that include multiple deliverables, the Company has applied the software revenue recognition rules as prescribed by Accounting Standards Codification (ASC) 985-605, *Software – Revenue Recognition*. Under the software revenue recognition rules, the fee from a multiple-deliverable arrangement is allocated to each of the undelivered elements based on vendor-specific objective evidence, which is limited to the price charged when the same deliverable is sold separately, with the residual value from the arrangement allocated to the delivered element. The portion of the fee that is allocated to each deliverable is then recognized as revenue when the criteria for revenue recognition are met with respect to that deliverable. All software revenue arrangements have been accounted for under this guidance. Computer software revenue is generally recognized upon delivery. Revenue related to post-contract customer support (PCS) is recognized over the period of the support to be provided. PCS arrangements typically have a term of one year.

Costs incurred to generate computer software, hardware and support-related revenue include research and development costs associated with product development, costs related to product support and installation, and inventory costs related to hardware sales. Amounts billed and collected before the services are performed are included in deferred revenues.

Fixed-price Contracts

For fixed-price contracts, the Company recognizes revenue based on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract (cost-to-cost method), in accordance with Financial Accounting Standards Board (FASB) ASC 605-35, *Construction-Type and Production-Type Contracts.* This method is used as management believes costs to be the best available measure of progress on these contracts. Contracts are considered complete when the work is substantially complete and accepted by the customer.

Time and Material Contracts

For time and material contracts, revenue is recognized as the work is performed in accordance with the guidance prescribed by ASC 605-35.

Milestone Contracts

For contracts that have fixed deliverables upon completion of individual milestones or upon completion of the project as a whole, the Company has applied revenue recognition guidance as prescribed by ASC 605-28, *Milestone Method*. Individual milestones are based on the completion of substantive steps outlined in the related contracts. These steps are defined by specific work to be performed, such as the flight plan, imagery design, aerial triangulation and mapping. Each step is unique and the steps are determined at the inception of the arrangement. The Company has historically applied a milestone method approach and recognizes revenue on these contracts after milestones are completed, the customer has been invoiced and collection is reasonably assured.

Contract costs associated with all of the above include all direct labor and material costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, insurance, repairs and depreciation. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to both cost of construction and revenues and are recognized in the period in which the revisions are determined. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is recognized.

The Company has recorded an allowance for contract losses in the amount of $702,000 as of September 28, 2019.

Costs and estimated earnings in excess of billings on uncompleted contracts represent revenues recognized in excess of amounts billed and are reported net of an allowance for uncompleted contracts in the amount of $879,000 as of September 28, 2019.

***Trade Accounts Receivable***

The Company's receivables are stated at the amount the Company expects to collect from outstanding balances. The Company provides for estimated uncollectible amounts, including sales discounts and allowances, through a charge to income and a credit to a valuation allowance based on management's assessment of the current status of individual accounts, giving consideration to historical experience and existing economic conditions. Balances that are still outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Accounts receivable are ordinarily due upon receipt. Accounts receivable are reported net of an allowance for doubtful accounts of $355,537 as of September 28, 2019.

***Unbilled Retainage Receivable***

Unbilled retainage receivables represent revenue earned but not billed to customers until future dates, usually when a contract is approved by the customer.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Expenditures for major additions and improvements are capitalized, while minor repairs and maintenance are charged to expense as incurred. Depreciation is based on the estimated useful lives of depreciable assets and is provided using the straight-line method. When property is disposed of, the asset and related accumulated depreciation are removed from the accounts. Any resulting gain or loss is reflected in operations in the period incurred.

***Intangible Assets***

Intangible assets, not including goodwill, are composed of definite-lived customer relationships, internally developed technology and expertise, and proprietary software, as discussed in note D. Such intangible assets are stated at fair value at the time of the acquisition. The definite-lived intangible assets are being amortized over estimated periods of benefit using the straight-line method.

***Impairment of Long-lived Assets***

The Company reviews long-lived assets (excluding goodwill – see below) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amounts of the assets exceed the fair values of the assets. At September 28, 2019 no impairment was identified.

***Goodwill***

Goodwill represents the excess of purchase price paid over net assets acquired in a business combination. The Company evaluates the carrying value of goodwill, which represents the excess of the purchase price over the underlying tangible and intangible assets acquired and liabilities assumed, at year end and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant change in legal factors or business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company first compares the fair value of the reporting unit to the carrying amount. If the carrying amount exceeds its fair value, then the amount of the impairment loss must be measured. The impairment loss would be calculated by comparing the implied fair value of goodwill to its carrying amount. The Company did not identify any indicators of impairment, and correspondingly, did not record any impairment related to goodwill for the nine months ended September 28, 2019 and September 29, 2018, respectively.

***Fair Value of Financial Instruments***

ASC 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company's financial instruments are cash, trade accounts receivable, accounts payable, accrued liabilities and debt. The recorded values of cash, trade accounts receivable, accounts payable and accrued liabilities approximate their fair values based on their short-term nature. Management believes the recorded values of debt approximate their fair values, as interest rates approximate market rates.

***Income Taxes***

U.S. federal and state income taxes are provided based on the asset and liability method. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The tax effects of these differences are recorded as deferred income taxes. Deferred tax assets are evaluated at least annually as to their likelihood of recovery, and a valuation reserve would be recognized where it is more likely than not that the asset will not be realized.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applies the uncertain tax position guidance to all tax positions for which the statute of limitations remains open. No material uncertain tax positions were noted for the nine months ended September 28, 2019 and September 29, 2018.

The Company recognizes interest relating to income tax matters as a component of interest expense and recognizes penalties relating to income tax matters as a component of general and administrative expenses. Such interest and penalties have historically been immaterial.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment. The Company is not currently subject to any income tax examinations by tax authorities.

***Share-based Compensation***

The Company measures all share-based payments, including grants of employee stock options, at fair value and expenses such payments and option grants in the consolidated statements of operations. The cost of employee services received in exchange for an award of equity instruments is measured based on the grant date fair value of the award and the probability of the award being received by the employee. The cost associated with the award is recognized over the period an employee is required to provide service in exchange for the award. Stock options are granted with an exercise price not less than the fair value on the date of grant as described in note I.

***New Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB issued subsequent ASU's, which deferred the effective date of adoption and amended the original provisions of ASU 2014-09. Topic 606 (as amended) will be adopted by the Company using the 'modified retrospective method.' Under this method of adoption, contracts in process at the date of adoption (December 29, 2018), will be accounted for under Topic 606 along with all future contracts. Contracts completed prior to the date of implementation are not required to be adjusted to conform to Topic 606.

Topic 606 will also significantly expand the Company's financial statement disclosures related to revenue, including but not limited to: (i) disaggregation of revenues, (ii) information about performance obligations, (iii) significant judgements and estimates used in recognizing revenue, and (iv) transaction prices, allocation methods, and other assumptions.

The Company is in the process of determining the impact of ASU 2014-09 and does not anticipate a material impact on the financial statements at the date of the adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). ASU 2016-02 will require the Company to recognize on its balance sheet (i) a liability to make lease payments (the lease liability) and (ii) a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 will be adopted by the Company at the beginning of fiscal 2020.

The Company currently leases real estate, equipment and vehicles, which are accounted for as operating leases under current U.S. GAAP. Topic 842 will result in the recognition of material lease liabilities and right-of-use assets on the Company's consolidated balance sheet at the time of adoption. The actual amount of these liabilities and related assets has not yet been determined, nor has the transitional impact on the Company's stockholders' equity at the date of adoption.

**NOTE B - COSTS AND ESTIMATED EARNINGS IN EXCESS OF BILLINGS ON UNCOMPLETED CONTRACTS**

Information relative to the Company's uncompleted contracts is as follows:

| | | September 28, 2019 |
|---|---|---|
| Costs incurred on uncompleted contracts | $ | 100,593,029 |
| Less billings to date | | (78,605,928) |
| Less allowance for uncompleted contracts | | (878,744) |
| Total | $ | 21,108,357 |

## NOTE C - PROPERTY, PLANT AND EQUIPMENT

Major classifications of property, plant and equipment and their estimated useful lives are summarized as follows:

| | September 28, 2019 | Useful life |
|---|---|---|
| Buildings and building improvements | $ 467,713 | 5 – 39 years |
| Machinery and equipment | 36,190,084 | 1 – 10 years |
| Internally developed software | 3,591,029 | 3 years |
| Construction in progress | 179,058 | |
| Total property, plant and equipment | 40,427,884 | |
| Less accumulated depreciation | 27,558,566 | |
| Property, plant and equipment, net | $ 12,869,318 | |

Depreciation expense totaled $4,335,447 and $4,762,157 for the nine months ended September 28, 2019 and September 29, 2018, respectively.

## NOTE D - OTHER INTANGIBLE ASSETS

Intangible assets other than goodwill comprise the fair value allocated to existing customer relationships, technology, and proprietary software at the time of the acquisition. Amortization expense related to these intangible assets totaled $2,614,375 and $3,128,958 for the nine months ended September 28, 2019 and September 29, 2018, respectively.

The following is a summary of intangible assets subject to amortization:

| | September 28, 2019 | | |
|---|---|---|---|
| | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Customer relationships | $ 23,075,000 | $ 19,950,423 | $ 3,124,577 |
| Technology | 7,300,000 | 6,463,542 | 836,458 |
| Proprietary software | 3,150,000 | 3,150,000 | — |
| Total intangible assets | $ 33,525,000 | $ 29,563,965 | $ 3,961,035 |

Future annual amortization expense is as follows at September 28, 2019:

| | | |
|---|---|---|
| Remaining 2019 | $ | 794,375 |
| 2020 | | 2,231,667 |
| 2021 | | 340,000 |
| 2022 | | 340,000 |
| 2023 | | 254,993 |
| | $ | 3,961,035 |

**NOTE E - DEFERRED FINANCING COSTS**

In connection with long-term debt refinancing discussed in note F, the Company incurred and capitalized financing fees of $2,748,127, including $225,000 of fees that are associated with the revolving line of credit. These fees are being amortized to interest expense over the term of the related notes using a method that approximates the effective interest method. Net deferred financing fees were $2,702,325 at September 28, 2019.

Amortization expense totaled $2,662,184 and $511,901 for the nine months ended September 28, 2019 and September 29, 2018, respectively. Amortization expense includes $2,161,359 of prior deferred financing costs written off with the debt refinancing discussed in note F. Accumulated amortization is $45,802 as of September 28, 2019.

Future annual amortization expense is as follows at September 28, 2019:

| | | |
|---|---|---|
| Remaining 2019 | $ | 137,406 |
| 2020 | | 549,625 |
| 2021 | | 549,625 |
| 2022 | | 549,625 |
| 2023 | | 549,625 |
| 2023 | | 366,419 |
| | $ | 2,702,325 |

**NOTE F - LONG-TERM DEBT**

In September 2019, the Company terminated its previous financing agreement and entered into a new credit agreement (Credit Agreement). The Credit Agreement established a term loan in an aggregate original principal amount of $143,000,000 and a revolving loan commitment of $15,000,000, for a total borrowing capacity of $158,000,000. The term loan and the revolving line of credit bear interest at a variable rate. The effective rate on the senior term note was 7.31% as of September 28, 2019. In addition, there is a fee based on the unused portion of the revolving line of credit, payable monthly at a rate of 0.50%. The term loan and line of credit advances may be prepaid at any time and mature on September 5, 2024.

Borrowings are collateralized by substantially all of the assets of the Company. The agreements require compliance with certain affirmative and negative covenants including, but not limited to maximum leverage ratio beginning December 28, 2019. The Company is in compliance with all covenants as of September 28, 2019.

Future annual maturities of debt is as follows at September 28, 2019:

| | | |
|---|---|---|
| Remaining 2019 | $ | 357,500 |
| 2020 | | 1,430,000 |
| 2021 | | 1,430,000 |
| 2022 | | 1,430,000 |
| 2023 | | 1,430,000 |
| Thereafter | | 136,922,500 |
| | $ | 143,000,000 |

**NOTE G - INCOME TAXES**

The Company files a consolidated federal income tax return, consolidated unitary tax returns in certain states and other separate state or foreign income tax returns for its subsidiary companies.

The income tax provision for interim periods is generally determined based upon the expected effective income tax rate for the full year and the tax rate applicable to certain discrete transactions in the interim period. To determine the annual effective income tax rate, the Company must estimate both the total income (loss) before income tax for the full year and the jurisdictions in which that income (loss) is subject to tax. The actual effective income tax rate for the full year may differ from these estimates if income (loss) before income tax is greater than or less than what was estimated or if the allocation of income (loss) to jurisdictions in which it is taxed is different from the estimated allocations. The Company reviews and adjusts its estimated effective income tax rate for the full year each quarter based upon its most recent estimates of income (loss) before income tax for the full year and the jurisdictions in which the Company expects that income will be taxed.

The income tax provisions for the nine months ended September 28, 2019 and September 29, 2018, differ from the amount determined by applying the applicable U.S. federal statutory income rate of 21% to income before income taxes primarily due to the utilization of net operating losses, non-deductible expenses and permanent differences.

**NOTE H - 401(k) RETIREMENT PLAN**

The Company has a defined contribution plan, which is qualified under Section 401(k) of the Internal Revenue Code. Eligible employees can contribute up to 25% of their pay. The Company will match employee contributions at a percentage determined annually by senior management. In addition, the Company may make discretionary contributions to the plan. Employer contributions to the plan totaled $1,118,412 and $419,296 for the nine months ended September 28, 2019 and September 29, 2018, respectively, and $547,000 is accrued as of September 28, 2019, associated with anticipated discretionary contributions.

## NOTE I - STOCKHOLDERS' EQUITY

### *Common and Preferred Shares*

The total number of all classes of capital stock that the Company has the authority to issue is 350,000 shares, divided into two classes, of which 200,000 shares, $1.00 par value, are designated as common stock and 150,000 shares are designated as preferred stock. Preferred stock in the amount of 100,000 shares, $1.00 par value, is designated as Series A Preferred, and preferred stock in the amount of 10,000 shares, $0.01 par value, is designated as Series B Preferred. The Series A Preferred participates equally with the common stock on all cash and stock dividends declared or paid. The Series A preferred is convertible to common stock at the option of the shareholder. The Series A Preferred and Series B Preferred are entitled to cumulative dividends at a rate of 10% and 20% per annum, respectively, on the liquidation value of the stock. Series B Preferred shares were retired and dividends were declared and paid in September 2019 in conjunction with the long-term debt refinancing discussed in Note F. Dividends totaling $77,204,326 were declared, of which $77,076,804 was paid as of September 28, 2019. There are 46,766 Series A Preferred shares and 0 Series B Preferred shares issued and outstanding at September 28, 2019. There are no common shares issued and outstanding at September 28, 2019.

### *Share-based Compensation*

The Company's 2012 Equity Incentive Plan (the Plan) permitted the grant of shares to its employees for up to 4,820 shares of common stock. In June 2014, the Plan was amended to increase the permitted shares to be granted to 7,085 shares of common stock. The options expire 10 years after the date of grant. Unless terminated for cause, participants who terminate employment have 90 days to exercise their vested options or they are forfeited. Participants who are terminated for cause may only exercise vested options up to the day of their termination.

There are 2,610 shares available for option grants at September 28, 2019. The amount of compensation expense recognized for the nine months ended September 28, 2019 and September 29, 2018, was $90,000, with a corresponding amount credited to additional paid-in capital.

## NOTE J - CONCENTRATION OF CREDIT RISK

The Company periodically maintains deposits in financial institutions in excess of the insurable limits established by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The Company grants credit in the normal course of business to its customers. The Company's customers come from a wide range of industries. Except as detailed below, concentration of credit risk with respect to revenues is considered minimal due to the Company's diverse customer base and the customers' geographic dispersion. As part of its ongoing control procedures, the Company continually monitors the creditworthiness of its customers. The Company does not require collateral or other security to support credit sales.

## NOTE K - COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

The Company is self-insured for health benefit claims up to a stop-loss amount per employee per year. The Company records an estimated liability for claims reported and claims incurred but not reported. It is possible that incurred but not reported claims may result in losses in excess of the amount accrued; however, in the opinion of management, any such claims would not have a material adverse impact on the Company's financial position.

## NOTE L - ADDITIONAL FINANCIAL INFORMATION

Accrued expenses consist of the following at September 28, 2019:

| | September 28, 2019 |
|---|---|
| Management and director fees | $ 2,349,539 |
| Bonus | 2,032,867 |
| Other | 4,847,620 |
| Total | $ 9,230,026 |

## NOTE M - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 26, 2020, the date which the condensed consolidated interim financial statements were available for issuance. There were no material subsequent events that required recognition or additional disclosure in these condensed consolidated interim financial statements, other than those noted below.

On November 6, 2019, the Company entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”) with NV5 Global, Inc. (“NV5”) and one of its direct subsidiaries (“Merger Sub”). The Merger Agreement provides that, at the effective time and upon the terms and subject to the conditions set forth therein and in accordance with applicable law, Merger Sub will merge with and into the Company (the “Merger”) with the Company continuing as the surviving entity after the Merger and a direct, wholly-owned subsidiary of the Company. The board of directors of NV5 approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement. The Merger was closed December 20, 2019.

**Exhibit 99.4**

# NV5 Global, Inc.
## UNAUDITED PRO FORMA CONDENSED FINANCIAL STATEMENTS
**(in thousands, except share data)**

On December 20, 2019 (the "Closing Date"), NV5 Global, Inc., a Delaware corporation ("we", "us", the "Company", "NV5 Global", or "NV5"), acquired Geospatial Holdings, Inc. and its subsidiaries, including Quantum Spatial, Inc. (collectively "QSI"), a full-service geospatial solutions provider serving the North American market. QSI provides data solutions to public and private sector clients that need geospatial intelligence to mitigate risk, plan for growth, better manage resources, and advance scientific understanding. NV5 Global acquired QSI in an all-cash transaction for $318,000, which includes excess working capital of $8,781 and closing date cash of approximately $6,677. The purchase price and other related costs associated with the transaction was financed through the Company's amended and restated credit agreement (the "A&R Credit Agreement") with Bank of America, N.A. and the other lenders party thereto. Pursuant to the A&R Credit Agreement, the lenders provided term commitments of $150,000 in the aggregate in a single draw on the Closing Date and revolving commitments totaling $215,000.

The following tables set forth contain unaudited pro forma condensed combined financial data giving effect to the Company's acquisition of QSI. The following unaudited pro forma condensed consolidated financial statements reflect the historical consolidated results of NV5 and QSI, on a pro forma basis to give effect to the following transactions, which are described in further detail below, as if they had occurred on September 28, 2019 for pro forma balance sheet purposes, and on January 1, 2018 for pro forma statement of net income purposes.

The pro forma statements of net income and the pro forma balance sheet are hereafter collectively referred to as the "Pro Forma Financial Data." The Pro Forma Financial Data is unaudited and does not purport to represent what the combined results of operations would have been if the acquisition had occurred on January 1, 2018, or what those results will be for any future periods, or what the combined balance sheet would have been if the acquisition had occurred on September 28, 2019.

The Pro Forma Financial Data is based upon the historical financial statements of the Company and QSI and certain adjustments which we believe are reasonable to give effect to the acquisition. The pro forma adjustments and Pro Forma Financial Data included herein were prepared using the acquisition method of accounting for the business combination. The pro forma adjustments are based on preliminary estimates and certain assumptions that the Company believes are reasonable under the circumstances. The fair value amounts assigned to the identifiable assets acquired and liabilities assumed in connection with the acquisition are considered preliminary and subject to change once the Company receives certain information it believes is necessary to finalize its purchase accounting of QSI. The Pro Forma Financial Data has been compiled from the following sources:

- U.S. Generally Accepted Accounting Principles ("U.S. GAAP") financial information for the Company has been derived without adjustments from the Company's audited consolidated balance sheet and statement of net income as of and for the year ended December 29, 2018, contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 14, 2019.
- U.S. GAAP financial information for the Company has been derived without adjustments from the Company's unaudited consolidated balance sheet and statement of net income as of and for the nine months ended September 28, 2019, contained in the Company's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2019.
- U.S. GAAP financial information for QSI has been derived without adjustments from QSI's audited consolidated balance sheet and statement of net income as of and for the year ended December 29, 2018, contained in this Form 8-K/A.
- U.S. GAAP financial information for QSI has been derived without adjustments from QSI's unaudited consolidated balance sheet and statement of net income as of and for the nine months ended September 28, 2019, contained in this Form 8-K/A.

The Pro Forma Financial Data should be read in conjunction with:

- The accompanying notes to the Pro Forma Financial Data;

- The audited consolidated financial statements of the Company as of and for the year ended December 29, 2018, and the related notes thereto as presented in the Company's Annual Report on Form 10-K filed with the SEC on March 14, 2019;
- The unaudited condensed consolidated financial statements of the Company as of and for the nine months ended September 28, 2019, and the related notes thereto as presented in the Company's Quarterly Report on Form 10-Q filed with the SEC on November 7, 2019;
- The audited consolidated financial statements of QSI as of and for the year ended December 29, 2018, and the related notes thereto included in this Form 8-K/A; and
- The unaudited condensed consolidated financial statements of QSI as of and for the year ended nine months ended September 28, 2019, and the related notes thereto included in this Form 8-K/A.

**NV5 GLOBAL, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**
**AS OF SEPTEMBER 28, 2019**
**(in thousands, except share data)**

| | NV Global, Inc. | QSI | Pro Forma Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 31,425 | $ 9,530 | $ (183) | 2(B) | $ 40,772 |
| Billed receivables, net | 109,590 | 13,921 | 10,987 | 2(C) | 134,498 |
| Unbilled receivables, net | 53,818 | 21,396 | (3,781) | 2(C) | 71,433 |
| Prepaid expenses and other current assets | 9,198 | 4,805 | (876) | 2(C) | 13,127 |
| Total current assets | 204,031 | 49,652 | 6,147 | | 259,830 |
| Property and equipment, net | 12,349 | 12,869 | 757 | 2(C) | 25,975 |
| Right-of-use lease assets, net | 42,366 | — | 6,131 | 2(D) | 48,497 |
| Intangible assets, net | 100,688 | 3,961 | 159,073 | 2(C) | 263,722 |
| Goodwill | 158,423 | 43,852 | 101,085 | 2(C) | 303,360 |
| Other assets | 2,886 | 221 | (221) | 2(C) | 2,886 |
| Total Assets | $ 520,743 | $ 110,555 | $ 272,972 | | $ 904,270 |
| **Liabilities and Stockholders' Equity** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 23,082 | $ 10,281 | $ 166 | 2(C) | $ 33,529 |
| Accrued liabilities | 33,654 | 9,230 | 65 | 2(C)/(D) | 42,949 |
| Income taxes payable | — | — | — | | — |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 2,241 | 696 | (696) | 2(C) | 2,241 |
| Client deposits | 276 | — | — | | 276 |
| Current portion of contingent consideration | 3,351 | — | — | | 3,351 |
| Current portion of notes payable and other obligations | 17,578 | 1,073 | 6,427 | 2(C)/(E) | 25,077 |
| Total current liabilities | 80,182 | 21,280 | 5,962 | | 107,423 |
| Contingent consideration, less current portion | 2,195 | — | — | | 2,195 |
| Long-term lease liability | 32,781 | — | 3,956 | 2(D) | 36,737 |
| Notes payable and other obligations, less current portion | 40,638 | 139,446 | 173,511 | 2(C)/(E) | 353,595 |
| Deferred income tax liabilities, net | 16,881 | 377 | 38,995 | 2(C) | 56,253 |
| Total liabilities | 172,676 | 161,103 | 222,424 | | 556,203 |
| Stockholders' equity: | | | | | |
| Preferred stock | — | 47 | (47) | 2(C) | — |
| Common stock | 128 | — | — | 2(C) | 128 |
| Additional paid-in capital | 246,869 | 57,042 | (57,042) | 2(C) | 246,869 |
| Retained earnings | 101,070 | (107,637) | 107,637 | 2(C) | 101,070 |
| Total stockholders' equity | 348,067 | (50,548) | 50,548 | | 348,067 |
| Total liabilities and stockholders' equity | $ 520,743 | $ 110,555 | $ 272,972 | | $ 904,270 |

*See accompanying notes to pro forma condensed combined financial statements (unaudited).*

**NV5 GLOBAL, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME**
**FOR THE TWELVE MONTHS ENDED DECEMBER 28, 2018**
**(in thousands, except share data)**

| | NV5 Global, Inc. | QSI | Pro Forma Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|
| **Gross revenues** | $ 418,081 | $ 106,766 | $ — | | $ 524,847 |
| **Direct costs:** | | | | | |
| Salaries and wages | 132,922 | 16,841 | — | | 149,763 |
| Sub-consultant services | 62,218 | 23,004 | — | | 85,222 |
| Other direct costs | 21,537 | 11,231 | — | | 32,768 |
| Total direct costs | 216,677 | 51,076 | — | | 267,753 |
| **Gross Profit** | 201,404 | 55,690 | — | | 257,094 |
| **Operating Expenses:** | | | | | |
| Salaries and wages, payroll taxes and benefits | 102,221 | 26,171 | — | | 128,393 |
| General and administrative | 31,713 | 11,925 | — | | 43,638 |
| Facilities and facilities related | 14,401 | 2,683 | — | | 17,084 |
| Depreciation and amortization | 17,384 | 6,852 | 10,017 | 3(A) | 34,253 |
| Total operating expenses | 165,719 | 47,631 | 10,017 | | 223,368 |
| **Income from operations** | 35,685 | 8,059 | (10,017) | | 33,726 |
| **Interest expense** | (1,966) | (6,416) | (7,025) | 3(B) | (15,407) |
| Income before income tax expense | 33,719 | 1,643 | (17,042) | | 18,319 |
| Income tax expense | (6,863) | (673) | 4,516 | 3(C) | (3,020) |
| **Net Income and Comprehensive Income** | $ 26,856 | $ 970 | $ (12,526) | | $ 15,299 |
| **Earnings per share:** | | | | | |
| Basic | $ 2.44 | | | | $ 1.39 |
| Diluted | $ 2.33 | | | | $ 1.33 |
| **Weighted average common shares outstanding:** | | | | | |
| Basic | 10,991,124 | | | | 10,991,124 |
| Diluted | 11,506,466 | | | | 11,506,466 |

*See accompanying notes to pro forma condensed combined financial statements (unaudited).*

**NV5 GLOBAL, INC. AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF NET INCOME AND COMPREHENSIVE INCOME**
**FOR THE NINE MONTHS ENDED SEPTEMBER 28, 2019**
**(in thousands, except share data)**

| | NV5 Global, Inc. | QSI | Pro Forma Adjustments | | Pro Forma Combined |
|---|---|---|---|---|---|
| **Gross revenues** | $ 376,340 | $ 94,191 | $ — | | $ 470,531 |
| **Direct costs:** | | | | | |
| Salaries and wages | 113,762 | 13,771 | — | | 127,533 |
| Sub-consultant services | 56,969 | 19,842 | — | | 76,811 |
| Other direct costs | 25,244 | 8,686 | — | | 33,930 |
| Total direct costs | 195,975 | 42,299 | — | | 238,274 |
| **Gross Profit** | 180,365 | 51,892 | — | | 232,257 |
| **Operating Expenses:** | | | | | |
| Salaries and wages, payroll taxes and benefits | 93,431 | 21,491 | — | | 114,922 |
| General and administrative | 30,786 | 10,145 | — | | 40,931 |
| Facilities and facilities related | 12,407 | 1,980 | — | | 14,387 |
| Depreciation and amortization | 18,908 | 4,643 | 7,917 | 3(A) | 31,468 |
| Total operating expenses | 155,533 | 38,259 | 7,917 | | 201,708 |
| **Income from operations** | 24,832 | 13,633 | (7,917) | | 30,549 |
| **Interest expense** | (1,230) | (7,781) | (2,327) | 3(B) | (11,338) |
| Income before income tax expense | 23,602 | 5,852 | (10,244) | | 19,211 |
| Income tax expense | (3,422) | (1,899) | 2,715 | 3(C) | (2,606) |
| **Net Income and Comprehensive Income** | $ 20,180 | $ 3,953 | $ (7,529) | | $ 16,605 |
| **Earnings per share:** | | | | | |
| Basic | $ 1.67 | | | | $ 1.37 |
| Diluted | $ 1.62 | | | | $ 1.33 |
| **Weighted average common shares outstanding:** | | | | | |
| Basic | 12,086,588 | | | | 12,086,588 |
| Diluted | 12,485,049 | | | | 12,485,049 |

*See accompanying notes to pro forma condensed combined financial statements (unaudited).*

**NV5 GLOBAL, INC. AND SUBSIDIARIES**
**NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**Note 1. Basis of Presentation**

The unaudited pro forma combined financial statements have been derived from the historical consolidated financial statements of NV5 Global, Inc. ("NV5") and the acquired Geospatial Holdings Inc. and its subsidiaries, including Quantum Spatial, Inc. (collectively "QSI"). The unaudited pro forma combined balance sheet as of September 28, 2019 gives effect to the acquisition as if it had occurred on September 28, 2019. The unaudited pro forma combined statement of net income for the nine months ended September 28, 2019 and for the year ended December 29, 2018 gives effect to the acquisition as if it had occurred on January 1, 2018.

The historical consolidated financial statements have been adjusted in the unaudited pro forma combined statement of net income to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable, and (3) with respect to the unaudited pro forma combined statements of operations, expected to have a continuing impact on the combined results following the business combination.

The unaudited pro forma combined financial information is for informational purposes only and is not intended to represent or to be indicative of the combined results of operations or financial position that the Company would have reported had the transaction been completed as of the dates set forth in this unaudited pro forma combined financial information and should not be taken as indicative of the Company's future combined results of operations or financial position. The actual results may differ from that reflected in the unaudited pro forma combined financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited pro forma combined financial information and actual results.

The assets and liabilities acquired through the acquisition are recorded at their preliminary estimated fair values. The adjustments to the Company's consolidated financial statements in connection with the transaction, and allocation of the purchase price paid in the transaction, was based on a number of factors, including additional financial information available at such time, and the final allocations of transaction consideration and the effects on the results of operations may differ materially from the preliminary allocations and unaudited pro forma combined amounts included herein.

Certain reclassifications have been made to the presentation of the historical QSI consolidated financial statements to conform to the presentation used in the unaudited pro forma financial information contained herein.

**Note 2. Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet**

(A) The acquisition has been accounted for under the acquisition method of accounting. Under the acquisition method of accounting, total acquisition consideration price was allocated to assets acquired and liabilities assumed based on their preliminary estimated fair values. The fair value measurements utilize estimates based on key assumptions of the acquisition an historical and current market data. The excess of the purchase price over total of preliminary estimated fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed is recognized as goodwill. In order to ultimately determine the fair values of tangible and intangible assets acquired and liabilities assumed for QSI, we engaged a third party independent valuation specialist. For purposes of these pro forma financial statements, NV5 has estimated the preliminary purchase price allocations based on historical inputs and data as of September 28, 2019. The table below shows the preliminary purchase price allocations of assets acquired and liabilities assumed:

| | | |
|---|---|---|
| Cash | $ | 6,894 |
| Billed receivables | | 24,908 |
| Unbilled receivables | | 17,615 |
| Right-of-use assets | | 6,131 |
| Property, plant, and equipment | | 13,626 |
| Prepaid expenses and other assets | | 3,929 |
| Fair value of acquired intangible assets: | | |
| Customer relationships[1] | | 64,709 |
| Indefinite-lived trade name | | 58,546 |
| Customer backlog[2] | | 6,835 |
| Developed technology[3] | | 32,944 |
| Residual goodwill from the transaction | | 144,937 |
| Accounts payable | | (10,447) |
| Lease liabilities | | (6,479) |
| Accrued liabilities | | (6,772) |
| Deferred tax liabilies | | (39,372) |
| Initial purchase price | $ | 318,004 |

[1] Amortized on a straight-line basis over the estimated life (11 years)
[2] Amortized on a straight-line basis over the estimated life (2 years)
[3] Amortized on a straight-line basis over their estimated lives (5 to 7 years)

(B) Represents adjustments to the combined company cash balance. Estimated transaction and other closing/financing costs associated with the transaction are not included in the pro forma results of operations as they are non-recurring in nature.

| | | |
|---|---|---|
| Cash consideration for the acquisition of QSI | $ | (318,004) |
| Borrowings from revolving credit facility | | 170,457 |
| Issuance of term loan | | 150,000 |
| Cash not acquired from QSI | | (2,636) |
| Total cash and cash equivalents adjustments | $ | (183) |

(C) Reflects the acquisition method of accounting based on the estimated fair value of assets and liabilities assumed at the closing date:

| | | |
|---|---|---|
| Cash not acquired | $ | (2,636) |
| Unbilled receivables not acquired | $ | (3,781) |
| Prepaid expenses and other assets not acquired | $ | (876) |
| Deferred financing costs not acquired | $ | (221) |
| Adjustments of billed receivables to fair value | $ | 10,987 |
| Adjustments of property and equipment to fair value | $ | 757 |
| Adjustment to identifiable intangible assets to fair value | $ | 159,073 |
| Residual goodwill created from acquisition | $ | 101,085 |
| Accounts payable amounts assumed | $ | (166) |
| Deferred tax impact of purchase accounting treatment | $ | (38,995) |
| QSI debt not assumed | $ | 140,519 |
| Accrued liabilities not assumed | $ | 2,458 |
| Billings in excess of costs and estimated earnings on uncompleted contracts not assumed | $ | 696 |
| Elimination of QSI historical equity balances | $ | 50,548 |

(D) Represents the impact of QSI adopting the new lease standard that requires recognition of right-of-use assets and lease liabilities on the balance sheet:

| | | |
|---|---|---|
| Operating lease right-of-use assets | $ | 6,131 |
| Accrued liabilities | $ | 2,523 |
| Long-term lease liabilities | $ | 3,956 |

(E) The net increase to debt reflects the new debt of $320.5 million incurred to finance the acquisition of QSI, less the effects of extinguishing QSI's outstanding debt of $58.7 million upon consummation of the acquisition:

| | | |
|---|---|---|
| QSI current portion of long-term debt not assumed | $ | (1,073) |
| Establish current portion of debt from issuance of Term Loan | | 7,500 |
| Total current portion of long-term debt adjustment | $ | 6,427 |

| | | |
|---|---|---|
| QSI long-term debt not assumed | $ | (139,446) |
| Additional long-term debt from issuance of Term Loan & Revolver | | 312,957 |
| Total long-term debt adjustment | $ | 173,511 |

**Note 3. Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Net Income**

(A) Reflects the incremental increase in intangible asset amortization expense resulting from the fair value adjustments to the acquired QSI definite-lived intangible assets:

| | | Year Ended December 29, 2018 | | Nine Months Ended September 28, 2019 |
|---|---|---|---|---|
| Reversal of QSI's historical intangible asset amortization | $ | (4,024) | $ | (2,614) |
| Amortization of purchased identifiable definite-lived intangible assets | | 14,041 | | 10,531 |
| Total intangible assets amortization expense adjustment | $ | 10,017 | $ | 7,917 |

(B) Reflects the adjustments to reverse interest expense associated with QSI's debt not assumed and the recognition of the interest expense associated with NV5's new debt financing:

| | Year Ended December 29, 2018 | Nine Months Ended September 28, 2019 |
|---|---|---|
| Reversal of QSI's historical interest expense | $ (6,416) | $ (7,781) |
| Interest expense on new debt financing[1] | 13,441 | 10,108 |
| Total interest expense adjustment | $ 7,025 | $ 2,327 |

[1] Our interest rates are variable tied to a Eurocurrency rate equal to LIBOR (London Interbank Offered Rate) plus an applicable rate or a base rate denominated in U.S. dollars. Interest rates are subject to change based on our Consolidated Senior Leverage Ratio (as defined in the Credit Agreement). A one percent point change in the assumed interest rate would change our annual interest expense by approximately $3,205.

(C) Reflects the income tax effect of applying the estimated blended federal and state statutory rate of 26.5% for the year ended December 29, 2018 and nine months ended September 28, 2019 to pre-tax income and pro forma adjustments.