Quality of Earnings Report (QOE)

Financial Due Diligence

November 28, 2023

KISLAY SHAH CPA

Certified Public Accountant

www.shahcpaus.com

646-328-1326

This report is provided to Client, pursuant to our engagement letter, dated January X, 20XX and is subject in all respects to the terms and conditions of that engagement letter. If this report is received by anyone other than our client, the recipient is placed on notice that the attached report has been prepared solely for our client for its own internal use and this report and its contents may not be shared with or disclosed to anyone by the recipient without the express written consent of Client and Kislay Shah CPA. Kislay Shah CPA shall have no liability and shall pursue all available legal and equitable remedies against the recipient for the unauthorized use or distribution of this report.

Mr. Client
14612 Cambridge Ct.
Addison, Texas 75001

We have completed our engagement to assist Client ("Client" or "You") in performing financial due diligence on Company, Inc. (the "Company") in accordance with the terms of our engagement letter dated January X, 20XX.

The purpose of our engagement was to assist You in gaining an understanding of the historical balance sheets and statements of income with respect to the Company as an on-going business.

The engagement letter describes the procedures we were to perform; a summary of those procedures is included as an exhibit to this report. Those procedures were selected by You and were limited in nature and extent to those that You determined best fit Your needs. We make no representation regarding the sufficiency for Your
purposes of the procedures You selected, and those procedures will not necessarily disclose all significant matters about the Company or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. We have indicated in our report
any instances in which procedures You requested could not be performed. This report was prepared by us on the basis that You provided us with all relevant information You received concerning the Company. You have agreed to review promptly this draft of our report to confirm that the procedures we performed were
consistent with those requested by You, and to advise us on a timely basis of any additional procedures You would like us to perform or areas You would like us to address.

Our procedures did not include an evaluation of the Company's internal controls or other aspects of its operations. Our report relates only to the items specified. Other matters of possible interest to Client may not be specifically addressed.

Our report does not constitute an audit, examination, review or compilation in accordance with standards established by the American Institute of Certified Public Accountants ("AICPA"), and we have not otherwise verified the information we obtained or presented in this report. Accordingly, we do not express an opinion or any other form of assurance with respect to any of the historical financial information or whether any prospective financial information is presented in conformity with AICPA presentation guidelines.

Our procedures concentrated on the following financial information:

Unaudited income statements and balance sheets for the periods January 1, 20XX through December 31, 20XX.

Specific Company officers and management interviewed included: Shareholder– Shareholder; Accountant – Accounting Manager; Accounting advisor– Accounting Advisor; Outside advisor – Outside Advisor.

The data included in this report was obtained from You and the Company on or before February XX, 20XX. Since many aspects of the proposed transaction with the Company have either not been finalized or are not yet documented, changes may occur that materially affect the financial and other information we received and reported to You. We have no obligation to update our report or to revise the information contained herein to reflect events and transactions occurring subsequent to February XX, 20XX. We have not reviewed a draft of this report with Company management for the purpose of confirming the factual accuracy of the information we presented.

We presented our interim findings to You in various phone conversations and emails throughout the course of our work. Because of its special nature, this report is not suited for any purpose other than to assist You in Your evaluation of the Company and, as such and as agreed in the engagement letter, is restricted for Your internal use only.

We look forward to continuing to provide service to You in the future.

DRAFT

Kislay Shah CPA

Glossary of Terms

Periods

2021 - Twelve months ended December 31, 2021

2022 - Twelve months ended December 31, 2022

2023 - Twelve months ended December 31, 2023

Q1, Q2, Q3, and Q4 - Quarter 1, 2, 3, and 4

Historical Period - 2021, 2022 and 2023

Entities

Client or You - Client

Company - Company, Inc.

Other terms

AR - Accounts receivable

EBITDA - Earnings before net interest expense, income expense, depreciation and amortization

FTE - Full-time employee

GAAP - Generally accepted accounting principles in the United States

GL - General ledger

LOI - Letter of intent

Management - Shareholder – Shareholder; Accountant – Accounting Manager; Accountant advisor – Accounting Advisor; Outside advisor – Outside Advisor

NNN - Triple net lease

NQ - Not quantified

NWC - Net working capital

Opex - Operating expenses

PTO - Paid time off

R&M - Repairs and maintenance

Executive Summary

Financial Summary			
$000	**2021**	**2022**	**2023**
Revenue Reported	X,XXX	X,XXX	X,XXX
Gross Profit Reported	X,XXX	X,XXX	X,XXX
Gross Margin % Reported	XX.X%	XX.X%	XX.X%
Gross Margin % Normalized	XX.X%	XX.X%	XX.X%
EBITDA, as reported	**XX**	**X,XXX**	**X,XXX**
Management Adjustments	XXX	XXX	XXX
Normalizing Adjustments	XX	XX	(XX)
EBITDA, normalized	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin % reported	-X.X%	XX.X%	XX.X%
EBITDA margin % normalized	XX.X%	XX.X%	XX.X%
Working Capital Adjusted	NA	XXX	XXX
Operating Capex	NA	XXX	XXX

Business overview

The Company is a provider of services including installation, maintenance and billing to end users, primarily specific end user. The Company is based in City, State.

- Entity Structure – Subchapter S Corporation, 100% owned by Shareholder (CEO) and Shareholder 2 (Finance).
- Fiscal year-end - December 31
- Accounting system – The Company utilizes Sage as its general ledger; Quickbooks is used for invoicing tenants.
- External auditor – The Company's financial statements have not been audited or reviewed by an external accounting firm.

Transaction overview

- Purchase price – Based on the LOI dated August 11, 20XX, we understand Client intends to acquire the stock of the Company at an enterprise value of $XX million less any outstanding indebtedness.
- Working capital – The LOI is silent as to the inclusion of a working capital adjustment to the purchase price at closing; however, we understand that it is understood with Seller that a customary working capital mechanism will exist

Accounting oversight

- The accounting team is led by Accountant – Accounting Manager. In addition, an outside accounting advisor, Accounting advisor, assists with reviewing the financial statements.
- We noted that the Company's accounting processes are not robust. The former Controller, Person 1 departed in October 2023 and certain knowledge was lost in the process. Additionally, revenue recognition has not been consistent, and inventory accounting (as well as operational tracking) is poorly maintained.
- We have attempted to adjust the financial statements in the Historical Period in order to present revenue recognition and inventory accounting on a comparable basis; however, Client should consider that the adjustments reflected in this report are estimates, and given the lack of historical oversight, it is possible that material differences could exist.

Revenue recognition

The Company has three primary revenue streams:

- Recurring fees – Represents fees charged for monthly/bi-monthly resident water billing/collections. Revenue is recognized when the fees are transferred from the Company's "trust" account which largely agrees to the period in which the service was performed.
- Systems income – Reflects hardware sales from project-based installation of submeters. The Company typically charges an 80% deposit up-front (largely reflecting the hardware cost) and the remaining 20% fee is due upon completion. The accounting for this fee has varied (as well as the accounting for inventory). Refer to the following slide for further details.
- Service income – Represents labor associated with: i) meter installations; and ii) services for ongoing meter service including maintenance and recertifications, post installation. For installations, revenue is largely recognized along with the associated service income. Refer to the Quality of earnings analysis where we have included an adjustment for revenue recognition. For maintenance and recertification, revenue is largely recorded upon billing which matches the period of service (the Company does not typically sell long-term service contracts).

EBITDA, normalized improved from $XXX,XXX in 2023 to $XXX,XXX in 2023

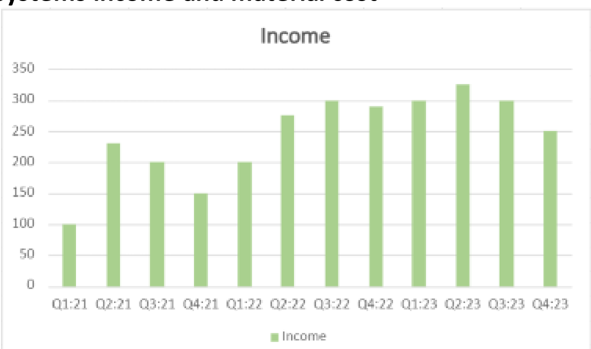
Recast income Statement			
$000	2021	2022	2023
Revenue, recast	X,XXX	X,XXX	X,XXX
Cost of Sales, recast	X,XXX	X,XXX	X,XXX
Gross Profit	X,XXX	X,XXX	X,XXX
Gross margin %	XX.X%	XX.X%	XX.X%
Operating Expenses, recast	X,XXX	X,XXX	X,XXX
Opex % of revenue	XX.X%	XX.X%	XX.X%
Operating Income	XXX	X,XXX	X,XXX
EBITDA, normalized	XXX	X,XXX	X,XXX
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%

Note: The schedule above includes the adjustments outlined in the Quality of Earnings analysis in the following pages

- On a recast basis, revenue increased modestly in 2022 as growth in recurring fees offset a decrease in systems income. In 2023, revenue grew by XX.X% as recurring fees grew by XX.X% and systems income rebounded.
- Gross margin improved to XX.X% in 2023 likely due to the high mix of recurring fees and Covid savings. The decrease in margin in 2022 is primarily due to the increased mix of systems income (XX.X% in 2021 to XX.X% in 2023).
- Operating expenses as a % of revenue declined modestly across the Historical Period as the Company benefited from operating leverage.

Revenue associated with system installations and the related material cost were materially misstated across the period

Quarterly systems income and material cost



- The accounting for systems income and related equipment cost (materials in the graph at left) has not been consistent across the Historical Period.
- In 2023, the Company typically deferred the initial deposit on system sales until the implementation was complete. However, the inventory cost was largely expensed when purchased.
- In Q1-22, the Company changed policy and recorded revenue associated with open projects outstanding at the time (leading to the significant contribution margin in Q1-22). Subsequently, deposits were recorded as revenue when received and material cost largely expensed as incurred (in some cases in the same month, but often at a 3 to 4 month lag).
- In Q4-22, the Company counted all inventory (certain but not all inventory was counted and reflected on the balance sheet previously) and recorded the inventory increase as a gain to the P&L (although it is most likely that the inventory balance built across the Historical Period).
- Client should ensure that the Company's revenue recognition and inventory accounting policies are revised post-closing. Contract accounting (percentage of completion method) is likely most appropriate; however, a simplified approach to ensure a match of the deposit and the associated meter purchase in the same period would likely suffice if an audit is not required.

The Company's process for tracking and accounting for inventory is not robust

- Inventory has not been consistently tracked as part of normal operations and has not been accounted for in a consistent manner in the financial statements.
- Historically, the Company accounted for a portion of inventory on the balance sheet and counted some portion of inventory on a quarterly basis. An adjustment was subsequently recorded to inventory on the balance sheet for any differences noted.
- Management indicated that the inventory balance on the balance sheet typically reflected general stock inventory (or "on hand" inventory) and excluded project specific inventory. However, Management noted that inventory counts may not have been consistent and indicated that duplicative inventory purchases have occurred in the past due to a lack of process to understand the inventory available at any given time.
- Inventory is generally maintained in three locations, including two warehouses (one primarily used for uncertified meter inventory and one primarily for certified inventory) as well as at various government locations during the certification process (weights & measures).
- The Company counted the majority of inventory in December 202X and the resulting inventory balance of $XXX,XXX was recorded to the balance sheet.
- Client should consider performing a full inventory count at or near the closing date. In addition, Client should consider that including inventory in the working capital mechanism may present a risk given our limited understanding of historical inventory balances and a risk that certain inventory may have not been counted in the previous count.

"Trust" account funds have been loaned to the Company

- The Company collects utility payments from tenants which are subsequently remitted to the Company's customer, typically the HOA board (net of the Company's fees).
- The tenant payments are deposited in two primary accounts (a "PSN" account for credit card and ACH payments and a "Trust" account for checks). Funds from the PSN account are transferred into the Trust account regularly.
  Note: There are currently duplicate PSN and Trust accounts as the Company is transitioning banking providers.
- The PSN and Trust accounts are held off balance sheet and we understand they are reconciled regularly. However, we also noted that the Company borrowed in excess of $XX from the accounts in 20XX and is currently repaying the balance at $XX,XXX per month (December 31, 20XX balance of $XX).
- We understand that your attorneys are aware of the loan (which should be settled at closing). Client should ensure that the SPA includes appropriate reps as to the adequacy of the balance in the Trust at closing and consider an escrow to cover any potential unfunded liability.

Employee turnover was significant in the later part of 20XX

- We noted significant employee turnover in late 2021 with much of the turnover associated with the timing of the departure of Emily Reamey, Controller and effective operator of the Company at the time.
- Approximately 19 employees departed in 20XX (32 employees received pay in 20XX) and the business lost several longer term employees. We understand that Management has hired to backfill positions and currently there are 48 employees on staff. Management indicated that 27 employees would be appropriate staffing for the current level of business.
- Client should consider the potential for operational challenges due to the turnover and assess the potential for wage inflation (given the timing of the replacement hires in late 20XX/early 20XX and likely duplicative staffing based on Management's comments).

Indebtedness

According to the LOI, the Company will be purchased on a debt-free basis. In addition to the company XX Loan recorded, Client should consider including the following debt-like items in the definition of indebtedness.

Debt and debt-like items

$000	Recorded on Balance Sheet?	December 20XX
Notes payable and other debt		
Loan	Yes	XXX
Subtotal debt recorded		XXX
Debt-like items		
Accrued Salaries	Yes	XX
Accrued Vacation	Yes	XX
Accrued Sick Leave	Yes	XX
Unearned Revenue	No	( )
Subtotal debt-like items		XXX
Total debt and debt-like items		XXX

- **Accrued salaries/bonus** – Employees were paid twice a month on the 5th and 19th, one week in arrears, and payroll accrual was recorded monthly through 20XX. However, as of January 20XX, the Company began paying payroll every two weeks. Client could consider treating accrued payroll and any bonuses as a debt-like item and having the Company pay for earned but unpaid salaries (and any bonuses earned) at closing.
- **Accrued vacation/sick leave** – In California, employers are required to track and pay-out any earned but unpaid leave upon an employee's departure. Client could consider treating this as a debt-like item and having the Company pay for earned but unpaid vacation at closing.
- **Unearned revenue** – The Company typically charges an 80% up-front deposit and has not consistently deferred the deposit until it is earned. As this represents a liability for which Client will have to fund post transaction and no cash revenue will be generated, Client should treat this as a debt like item.

In addition, we understand that the Company has been paid in advance for meter recertifications. Client should ensure that the definition of unearned revenue is inclusive of any advance payment from a customer for which the service has not yet been performed.

Recent Acquisitions

- The Company acquired Entity ("Entity") on September 9, 20XX for $XX at closing.
- In addition, the Company acquired Entity 2 ("Entity 2") on February 2, 20XX for $XX with $XX paid at closing, $XX paid on November 1, 20XX, $XX on July 23, 20XX and $XX on December 4, 20XX.
- The financial statements of Entity and Entity 2 were consolidated into the Company's reporting in 20XX through August 20XX and merged into the Company's financials in September 20XX. We were provided consolidated financial statements for the period prior to September 20XX.
- Client should consider a rep in the SPA that all consideration promised to the former owners has been paid.

Other Closing Considerations

- The Company does not record an allowance for uncollectible accounts receivable as the collection experience has been positive. However, $XX,XXX of AR was outstanding over 90 days at December 31, 20XX.
- Client should consider including defining accounts receivable in the SPA as any AR collected prior to the closing working capital true-up (i.e., any closing AR not collected by the true-up date would be excluded from closing working capital, reducing the delivered AR at close).

Key Analysis

Quality of Earnings			
$000	**2021**	**2022**	**2023**
Revenue, reported	**X,XXX**	**X,XXX**	**X,XXX**
Revenue, normalized	**X,XXX**	**X,XXX**	**X,XXX**
EBITDA, as reported	**(XX)**	**X,XXX**	**X,XXX**
Management Adjustments			
Executive compensation	XXX	XX	XXX
Management retreat	-	-	XX
Transaction costs	-	-	XX
Facilites	XXX	XX	XX
Bank account transactions	-	-	XX
Other owner benefits	-	-	X
Management adjustments	XXX	XXX	X,XXX
EBITDA, management	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin, management	X.X%	XX.X%	XX.X%
Normalizing adjustments:			
Revenue recognition	XXX	(XXX)	(XXX)
Inventory adjustment	XX	(XX)	(XXX)
Capitalize rental equipment	XX	-	XX
Rental loss	-	-	X
Covid related savings	-	(XXX)	-
Normalizing adjustments	XXX	(XXX)	(XX)
EBITDA, normalized	**XX**	**X,XXX**	**X,XXX**
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%
Significant considerations:			
Revenue recognition	NQ	NQ	NQ
Financial reporting	NQ	NQ	NQ
Rent	NQ	NQ	NQ

Overview

- We derived EBITDA, reported, from the Company's internal financial statements beginning with operating income.
- We obtained supporting documentation for certain Management's adjustments to EBITDA and included other Normalizing adjustments based on our procedures.
- Normalizing adjustments were identified by us through our due diligence. Additional inquiries of the income statements and balance sheets could uncover additional or different adjustments to EBITDA.

Management adjustments

- Executive compensation – Management added back the compensation for the shareholders, the former Controller, Person 1, as well as a temporary CEO. We agreed the underlying costs to payroll records.
  We understand that the Replacement CEO cost is the estimated market compensation cost of a CEO to operate the Company, post-transaction.

Executive Compensation			
$000	**2021**	**2022**	**2023**
Shareholder compensation	XXX	XXX	XXX
Shareholder 2 compensation	XX	XX	XXX
Person 1 compensation	XX	XX	XXX
Temporary CEO	NP	-	XX
Less: Replacement CEO	(XXX)	(XXX)	(XXX)
EBITDA Adjustment	**XXX**	**XX**	**XXX**

- **Shareholder compensation** – Majority shareholder, who stepped away from the business for a period of time operating the Company from Montana and has more recently increased his involvement after the departure of Emily Reamey
- **Shareholder 2 compensation** – Mr. Shareholder's wife and minority shareholder. We understand Mrs. Shareholder 2's role was very limited across the Historical Period.
- **Person 1 compensation** – Controller and Director of Operations until resigning suddenly in late November 2022. Management has indicated that Ms. Person 1's role was the effective operator after Mr. Shareholder moved to Montana.

Quality of Earnings			
$000	**2021**	**2022**	**2023**
Revenue, reported	**X,XXX**	**X,XXX**	**X,XXX**
Revenue, normalized	**X,XXX**	**X,XXX**	**X,XXX**
EBITDA, as reported	**(XX)**	**X,XXX**	**X,XXX**
Management Adjustments			
Executive compensation	XXX	XX	XXX
Management retreat	-	-	XX
Transaction costs	-	-	XX
Facilites	XXX	XX	XX
Bank account transactions	-	-	XX
Other owner benefits	-	-	X
Management adjustments	XXX	XXX	X,XXX
EBITDA, management	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin, management	X.X%	XX.X%	XX.X%
Normalizing adjustments:			
Revenue recognition	XXX	(XXX)	(XXX)
Inventory adjustment	XX	(XX)	(XXX)
Capitalize rental equipment	XX	-	XX
Rental loss	-	-	X
Covid related savings	-	(XXX)	-
Normalizing adjustments	XXX	(XXX)	(XX)
EBITDA, normalized	**XX**	**X,XXX**	**X,XXX**
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%
Significant considerations:			
Revenue recognition	NQ	NQ	NQ
Financial reporting	NQ	NQ	NQ
Rent	NQ	NQ	NQ

Management adjustments (continued)

- **Executive compensation (continued)**

  o **Temporary CEO** – The Company hired CEO 1 as CEO in October 2021 (as an independent contractor on a trial basis) and we understand that Shareholder 2 departed shortly thereafter. Management indicated that Mr. CEO 1 was not a fit for the business and did not bring him on full-time. Note that the majority of his cost was included in other expense and excluded from EBITDA.

  o **Replacement CEO** – Reflects the expected market compensation for a CEO, post-transaction.

  Client should consider the actual compensation cost of the replacement CEO, going forward, and the extent to which the roles of the former shareholders and Ms. Reamey can be fully replaced by the new CEO.
- **Management retreat** – Management noted that the Company arranged a management retreat in Montana for key employees of the Company in 202X. Employee travel, facility rental, catering and other related expenses have been excluded from EBITDA as a non-recurring cost.
- **Transaction costs** – The Company explored an offer to acquire the business in 202X and hired an outside consultant, Outside person 1 to assist with the process and his involvement has continued through to the current transaction. Mr. Outside person is being compensated on a $X,XXX per month retainer plus expenses. Note that the majority of Mr. Outside person cost is reflected in other expense and excluded from EBITDA.
- **Facilities** – Management added back the facility related costs below as Management indicated that these costs would be borne by the lessor going forward; however, in a common triple net ("NNN") lease the costs below would typically be paid by the lessee. Client should consider the future lease structure in consideration of this adjustment. However, we would note that the capex and building maintenance adjustments should be considered capex and not included in the calculation of EBITDA.

Facilites			
$000	**2021**	**2022**	**2023**
Capex 145 Bee Street	-	-	XX
Building Maintenance	XXX	XX	-
Property Taxes	XX	XX	X
EBITDA Adjustments	**XXX**	**XX**	**XX**

Quality of Earnings			
$000	**2021**	**2022**	**2023**
Revenue, reported	**X,XXX**	**X,XXX**	**X,XXX**
Revenue, normalized	**X,XXX**	**X,XXX**	**X,XXX**
EBITDA, as reported	**(XX)**	**X,XXX**	**X,XXX**
Management Adjustments			
Executive Compensation	XXX	XX	XXX
Management Retreat	-	-	XX
Transaction Costs	-	-	XX
Facilites	XXX	XX	XX
Bank Account Transactions	-	-	XX
Other Owner Benefits	-	-	X
Management Adjustments	XXX	XXX	X,XXX
EBITDA, Management	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin, Management	X.X%	XX.X%	XX.X%
Normalizing adjustments:			
Revenue Recognition	XXX	(XXX)	(XXX)
Inventory Adjustment	XX	(XX)	(XXX)
Capitalize Rental Equipment	XX	-	XX
Rental Loss	-	-	X
Covid Related Savings	-	(XXX)	-
Normalizing Adjustments	XXX	(XXX)	(XX)
EBITDA, normalized	**XX**	**X,XXX**	**X,XXX**
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%
Significant considerations:			
Revenue Recognition	NQ	NQ	NQ
Financial Reporting	NQ	NQ	NQ
Rent	NQ	NQ	NQ

Management adjustments (continued)

- **Facilities (continued)**

Facilites			
$000	**2021**	**2022**	**2023**
Capex	-	-	XX
Building Maintenance	XXX	XX	-
Property Taxes	XX	XX	X
EBITDA Adjustments	**XXX**	**XX**	**XX**

  - **Capex** – Reflects building and leasehold improvements to the Company's facility incurred as the Company expanded into space previously leased to a third party.
  - **Building maintenance** – Primarily relates to repairs and maintenance to the Company's existing facility.
  - **Property taxes** – Reflects property taxes for both buildings.
- **Bank account transition** – One-time costs associated with the transfer of banking to Bank of the West.
- **Other owner benefits** – Management added back the below non-operating or non-recurring owner benefits related to the shareholders living in Montana.

Other Owner Benefits			
$000	**2021**	**2022**	**2023**
Owners travel – Montana to California	-	-	X
Montana Unemployment	-	-	X
Internet Montana	-	-	X
EBITDA Adjustment	**-**	**-**	**X**

- **Owners travel - Montana to CA** – Relates to travel costs between Montana and the Company's office.
- **Montana unemployment** – Relates to unemployment taxes in Montana.
- **Internet Montana** – Satellite internet connection in Montana.

Quality of Earnings			
$000	**2021**	**2022**	**2023**
Revenue, reported	**X,XXX**	**X,XXX**	**X,XXX**
Revenue, normalized	**X,XXX**	**X,XXX**	**X,XXX**
EBITDA, as reported	**(XX)**	**X,XXX**	**X,XXX**
Management Adjustments			
Executive Compensation	XXX	XX	XXX
Management Retreat	-	-	XX
Transaction Costs	-	-	XX
Facilites	XXX	XX	XX
Bank Account Transactions	-	-	XX
Other Owner Benefits	-	-	X
Management Adjustments	XXX	XXX	X,XXX
EBITDA, Management	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin, Management	X.X%	XX.X%	XX.X%
Normalizing adjustments:			
Revenue Recognition	XXX	(XXX)	(XXX)
Inventory Adjustment	XX	(XX)	(XXX)
Capitalize Rental Equipment	XX	-	XX
Rental Loss	-	-	X
Covid Related Savings	-	(XXX)	-
Normalizing Adjustments	XXX	(XXX)	(XX)
EBITDA, normalized	**XX**	**X,XXX**	**X,XXX**
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%
Significant considerations:			
Revenue Recognition	NQ	NQ	NQ
Financial Reporting	NQ	NQ	NQ
Rent	NQ	NQ	NQ

Normalizing adjustments

- **Revenue recognition** – The Company changed its methodology for recognizing revenue on system installations in Q1-20XX. The current methodology is to recognize revenue upon billing (generally 80% upon signing, 18% upon completion), previously the Company recognized revenue upon completion. The change resulted in an overstatement of revenue in 20XX. We have included this adjustment to present revenue recognition consistently utilizing the current methodology. The calculation below illustrates the entry which reverses the entry recorded in AR for deposits at the end of each period.

Revenue Recognition			
$000	**2021**	**2022**	**2023**
Deposit held beg. of period (a)	(XX)	(XXX)	(XX)
Deposit held end of period (b)	(XXX)	(XX)	(X)
EBITDA adjustment (a) - (b)	**XXX**	**(XXX)**	**(X)**

- **Inventory adjustment** – The Company has not consistently capitalized inventory on the balance sheet, resulting in significant swings in profitability in each period. As of December 31, 20XX, the Company completed a more robust inventory count and adjusted the financial statements, accordingly.

  However, as the inventory build likely occurred over time, we have included this estimated adjustment to EBITDA to reflect a consistent contribution margin from system sales over the prior three years. In order to estimate the adjustment, we calculated the direct margin reflected in the P&L across the 3 year period (calculated as systems and service income adjusted for the
  Revenue recognition adjustment above, less the reported material cost excluding the capitalized rental equipment below). The resulting direct margin % of XX% was applied in each period.

  Note that we included service income as part of the adjustment as a large portion of system income relates to the labor on installation. Additionally, the revenue recognition adjustment above is inclusive of service income (which is a component of this calculation).

  The calculation is included on the following slide.

Quality of Earnings			
$000	**2021**	**2022**	**2023**
Revenue, reported	**X,XXX**	**X,XXX**	**X,XXX**
Revenue, normalized	**X,XXX**	**X,XXX**	**X,XXX**
EBITDA, as reported	**(XX)**	**X,XXX**	**X,XXX**
Management Adjustments			
Executive Compensation	XXX	XX	XXX
Management Retreat	-	-	XX
Transaction Costs	-	-	XX
Facilites	XXX	XX	XX
Bank Account Transactions	-	-	XX
Other Owner Benefits	-	-	X
Management Adjustments	XXX	XXX	X,XXX
EBITDA, Management	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin, Management	X.X%	XX.X%	XX.X%
Normalizing adjustments:			
Revenue Recognition	XXX	(XXX)	(XXX)
Inventory Adjustment	XX	(XX)	(XXX)
Capitalize Rental Equipment	XX	-	XX
Rental Loss	-	-	X
Covid Related Savings	-	(XXX)	-
Normalizing Adjustments	XXX	(XXX)	(XX)
EBITDA, normalized	**XX**	**X,XXX**	**X,XXX**
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%
Significant considerations:			
Revenue Recognition	NQ	NQ	NQ
Financial Reporting	NQ	NQ	NQ
Rent	NQ	NQ	NQ

Inventory Adjustment				
$000	**2021**	**2022**	**2023**	**Full Period**
Systems Income, reported	XXX	XXX	X,XXX	X,XXX
Service Income, reported	XXX	XXX	XXX	X,XXX
Revenue Recognition Adjustment	XXX	(XXX)	(X)	(XX)
Systems Income, adjusted	X,XXX	X,XXX	X,XXX	X,XXX
Material costs, reported (a)	X,XXX	X,XXX	X,XXX	X,XXX
Capitalize rental equipment	(XX)	-	(XX)	(XXX)
Material cost, adjusted for rentals	XXX	XXX	XXX	X,XXX
Contribution margin % reported	XX%	XX%	XX%	XX%
Material cost, adjusted (XX% margin) (b)	XXX	XXX	XXX	X,XXX
EBITDA adjustment (a) - (b)	**XXX**	**(XX)**	**(XX)**	**-**
Contribution margin, reported	(XXX)	XXX	XXX	
Contribution margin, adjusted	XXX	XXX	XXX	
Contribution margin %, reported	XX%	XX%	XX%	
Contribution margin %, adjusted	XX%	XX%	XX%	

- Client should consider that the adjustment is an estimate with two fundamental assumptions: 1) inventory at December 31, 20XX was properly stated (it is likely this is not the case but based on discussions with Management, the uncounted portion of inventory was not as significant as in recent periods) and 2) margin was consistent over the period (we understand that the standard mark-up at the item level has been consistent; however, base effects on price increases and mix likely pressured margins downward across the period).

Quality of Earnings			
$000	**2021**	**2022**	**2023**
Revenue, reported	**X,XXX**	**X,XXX**	**X,XXX**
Revenue, normalized	**X,XXX**	**X,XXX**	**X,XXX**
EBITDA, as reported	**(XX)**	**X,XXX**	**X,XXX**
Management Adjustments			
Executive Compensation	XXX	XX	XXX
Management Retreat	-	-	XX
Transaction Costs	-	-	XX
Facilites	XXX	XX	XX
Bank Account Transactions	-	-	XX
Other Owner Benefits	-	-	X
Management Adjustments	XXX	XXX	X,XXX
EBITDA, Management	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin, Management	X.X%	XX.X%	XX.X%
Normalizing adjustments:			
Revenue Recognition	XXX	(XXX)	(XXX)
Inventory Adjustment	XX	(XX)	(XXX)
Capitalize Rental Equipment	XX	-	XX
Rental Loss	-	-	X
Covid Related Savings	-	(XXX)	-
Normalizing Adjustments	XXX	(XXX)	(XX)
EBITDA, normalized	**XX**	**X,XXX**	**X,XXX**
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%
Significant considerations:			
Revenue Recognition	NQ	NQ	NQ
Financial Reporting	NQ	NQ	NQ
Rent	NQ	NQ	NQ

Normalizing adjustments

- **Capitalize rental equipment** – The Company has not consistently capitalized meters rented to customers. In 2021 and 2022, meters rented were largely expensed, while in 2021 meters were capitalized. This adjustment reflects the capitalization of meters purchased in 2021 and 2022.
- **Rental loss** – Relates to a bad debt write-off associated with the sublease tenant of the building. As the associated revenue has been excluded from EBITDA, we have excluded this loss.
- **Covid related savings** – Management noted that in 2020 the Company realized savings associated with personnel, sales and marketing activities and auto expenses as a result of Covid. We estimated those savings in the table below and have reduced EBITDA by that amount to present a normalized level of operating costs.

Covid related savings				
$000	**2021**	**2022**	**2023**	**Explanation**
Personnel expense	X,XXX	X,XXX	X,XXX	
% of revenue, normalized	XX%	XX%	XX%	
Avg. Of 20XX and 20XX	XX%			
Personnel Adj.	-	(XXX)	-	'XX/'XX avg % vs 'XX%
Advertisement & marketing	XX	XX	XX	
Advertisement & marketing adj.	-	(XX)		Brings expense to 'XX
Automobile expense	XX	XX	XX	
Automobile expense adj.	-	(XX)		Brings expense to 'XX
EBITDA adjustment	**-**	**(XXX)**	**-**	

- The personnel portion of the adjustment was calculated using an average of payroll costs as a % of revenue in 2021 and 2022 as compared to 2020. For the sales and marketing and auto expense adjustments we utilized the difference between 2022 spend and 2021 spend.

  Note that the Company also incurred reduced costs for meter installation and reading (in cost of sales); however, we have not adjusted these costs as it is likely that some level of offsetting revenue loss occurred.

Quality of Earnings			
$000	**2021**	**2022**	**2023**
Revenue, reported	**X,XXX**	**X,XXX**	**X,XXX**
Revenue, normalized	**X,XXX**	**X,XXX**	**X,XXX**
EBITDA, as reported	**(XX)**	**X,XXX**	**X,XXX**
Management Adjustments			
Executive Compensation	XXX	XX	XXX
Management Retreat	-	-	XX
Transaction Costs	-	-	XX
Facilites	XXX	XX	XX
Bank Account Transactions	-	-	XX
Other Owner Benefits	-	-	X
Management Adjustments	XXX	XXX	X,XXX
EBITDA, Management	**XXX**	**X,XXX**	**X,XXX**
EBITDA margin, Management	X.X%	XX.X%	XX.X%
Normalizing adjustments:			
Revenue Recognition	XXX	(XXX)	(XXX)
Inventory Adjustment	XX	(XX)	(XXX)
Capitalize Rental Equipment	XX	-	XX
Rental Loss	-	-	X
Covid Related Savings	-	(XXX)	-
Normalizing Adjustments	XXX	(XXX)	(XX)
EBITDA, normalized	**XX**	**X,XXX**	**X,XXX**
EBITDA margin, normalized	XX.X%	XX.X%	XX.X%
Significant considerations:			
Revenue Recognition	NQ	NQ	NQ
Financial Reporting	NQ	NQ	NQ
Rent	NQ	NQ	NQ

Significant considerations

- **Revenue recognition** – The Company's revenue recognition methodology does not align with GAAP, as it would be most appropriate to utilize the contract accounting, such as the percentage of completion method, for recognizing revenue. However, as the Company has not historically tracked projects in a consistent manner, this methodology is not feasible. Further, the current methodology largely matches revenue and cost (as the up-front deposit is utilized for material purchases) and may be the most appropriate method going forward given the cost/benefit trade-off of properly implementing percentage of completion accounting.
- **Financial reporting** – The Company's historical financial reporting has been inconsistent and poorly managed. The Company utilizes an outside accountant. However, the current environment will require significant improvement to provide accurate reporting for outside capital.
- **Rent** – We understand the current lease is still being negotiated. Management indicated that the current lease is 12-15% under market rates. Additionally, maintenance and repair costs, leasehold improvements and property taxes have been adjusted out of EBITDA ("Facilities" adjustment above) by Management. Client should consider the eventual lease terms in relation to cost reflected in EBITDA as a common NNN lease structure would result in Client paying for leasehold improvements, maintenance, most repairs and property taxes.

On a normalized basis, Net Working Capital ("NWC"), including estimated inventory averaged $XXX,XXX over the trailing 12 months. Client should consider using this as the target NWC in the purchase agreement as well as an exhibit illustrating how the calculation of NWC is defined.

Working Capital

			Averages		
$000	Dec. 20XX	Dec. 20XX	L3	L6	LTM
Current Assets					
Cash	XXX	XXX	XXX	XXX	XXX
Accounts Receivable	XXX	XXX	XXX	XXX	XXX
Inventory	XXX	XXX	XXX	XXX	XXX
Other Current Assets	XXX	XXX	XXX	XXX	XXX
Total Current Assets	XXX	XXX	XXX	XXX	XXX
Current Liabilities					
Accounts Payable	XXX	XX	XX	XXX	XXX
Credit Cards Payable	-	XX	XXX	XX	XX
Accrued Expense	XX	XXX	XX	XX	XX
Unearned Revenue	XX	-	-	-	-
Notes Payable	X	-	-	-	XX
Other Current Liabilities	X	X	X	X	X
Total Current Liabilities	XXX	XXX	XXX	XXX	XXX
NWC, as reported	XXX	XXX	XXX	XXX	XXX
Excluded Items					
Cash	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
Notes Payable	X	-	-	-	-
Total definitional adjustments	(XXX)	(XXX)	(XXX)	(XXX	(XXX
NWC, as defined	XXX	XXX	XXX	XXX	XXX
Normalizing Adjustments					
Outside Advisor Loan	-	(XX)	(XX)	(XX)	(XX)
Unearned Revenue	XX	-	-	-	(XX)
Inventory	XXX	-	XX	XXX	XXX
Total Normalizing Adjustments	XXX	(XX)	XX	XXX	XXX
NWC, adjusted	XXX	XXX	XXX	XXX	XXX

Overview

- It is our understanding that the purchase price will be subject to a working capital mechanism, but the target level of working capital to be delivered at close, as well as the specific mechanism, has yet to be agreed upon. We have shown the average working capital for the last three, six, and twelve months in the adjacent table.
- NWC, as defined, represents a customary cash-free, debt-free working capital presentation.
- Normalizing adjustments were identified by us through our due diligence. Additional inquiries of the income statements and balance sheets could uncover additional or different adjustments to NWC.

Management adjustments

- Outside advisor loan – Reflects a non-operating loan to Outside advisor, an outside advisor assisting the Company with the transaction. We understand this loan will be settled at or prior to closing.
- Unearned revenue – The Company has recorded customer deposits inconsistently in prior periods and largely eliminated the practice in 2021. We have excluded unearned revenue from the definition of working capital and suggest it be included in the calculation of indebtedness, based on the value of unearned revenue outstanding at closing.
- Inventory – As noted previously, a full inventory count was performed at December 31, 2022; however, in prior periods, inventory was not fully captured on the balance sheet. We estimated that the December 31, 2021 inventory balance consistent with our Quality of earnings adjustment. For interim months in 2022, we estimated that balance as the average of the December 31, 2020 and December 31, 2022 balances ($XXX,XXX).
- Refer to Exhibit | Monthly Working Capital for a detail of working capital on a monthly basis for 2022.

We reconciled the financial statements to the underlying bank statements for 2022. The resulting difference was $X,XXX or X.X% of reported revenue. Refer to the Proof of Revenue and Proof of Expense Exhibits for the underlying details.

Net Cash Flow Reconciliation													
$000	**Jan 20XX**	**Feb 20XX**	**Mar 20XX**	**Apr 20XX**	**May 20XX**	**Jun 20XX**	**Jul 20XX**	**Aug 20XX**	**Sep 20XX**	**Oct 20XX**	**Nov 20XX**	**Dec 20XX**	**20XX**
Net cash flow – bank statements													
Cash Collections	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Cash Disbursements	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Net cash flow – bank statements	XX	XXX	XX	XXX	(XX)	(XX)	(XX)	XX	XX	XX	XXX	(XX)	XXX
Net cash flow – financial statements													
Cash Collections	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Cash Disbursements	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Net cash flow – financial statements	XX	XXX	XX	XXX	(XX)	(XX)	(XX)	XX	XX	XX	XXX	(XX)	XXX
Difference	X	(X)	X	X	X	X	(X)	X	X	(X)	X	(X)	X
As % of revenue	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%	X.X%

Net Cash Flow – Bank Statements: Reflects net cash flow calculated utilizing the bank statements provided
Net Cash Flow – Financial Statements: Reflects net cash flow calculated utilizing the financial statements provided

The financial statements are presented on a consolidated basis including Entity and Entity 2. The long-term debt on the balance sheet relates to a loan from the "Trust" account.

Summary Income Statements			
$000	**2021**	**2022**	**2023**
Revenue	X,XXX	X,XXX	X,XXX
Cost of Sales	X,XXX	X,XXX	X,XXX
Gross Profit	**X,XXX**	**X,XXX**	**X,XXX**
Gross Margin %	XX.X%	XX.X%	XX.X%
Operating Expenses	X,XXX	X,XXX	X,XXX
Operating Income	**(XXX)**	**X,XXX**	**X,XXX**
Other Income (expense)	XX	XXX	(XXX)
Net Income	**(XX)**	**X,XXX**	**XXX**
EBITDA:			
Operating Income	(XXX)	X,XXX	X,XXX
Deprecitaion and Amortization	XX	XX	XX
EBITDA	**(XX)**	**X,XXX**	**X,XXX**

Prepaids and other current assets (red box): largely consisted of a loan receivable from the shareholders which was reclassified to equity in 20XX

Accounts Payable & Credit Cards Payable (blue box): the credit card payable was recorded in AP prior to 20XX

Summary Balance Sheet			
$000	**Dec. 20XX**	**Dec. 20XX**	**Dec. 20XX**
Assets			
Cash	XXX	XXX	XXX
Accounts receivable	XXX	XXX	XXX
Inventory	XXX	XXX	XXX
Prepaids and other current assets	XXX	XX	XX
Current Assets	XXX	XXX	XXX
Fixed assets, net	XXX	XXX	XXX
Other assets	XX	X	X
Total assets	**X,XXX**	**X,XXX**	**X,XXX**
Liabilities and equity			
Accounts Payable	XXX	XX	XX
Credit Cards Payable	-	-	XX
Accrued Expense	XX	XX	XXX
Unearned Revenue	XXX	XX	-
Notes Payable	XX	XX	XXX
Other Current Liabilities	XX	XX	X
Current Liabilities	XXX	XXX	XXX
Long term debt	XXX	XXX	XXX
Notes payable – long term	XX	X	-
Non-current liabilities	XXX	XXX	XXX
Total Liabilities	X,XXX	X,XXX	X,XXX
Equity	(XXX)	XXX	XXX
Total Liabilities and Equity	**X,XXX**	**X,XXX**	**X,XXX**

Revenue by category - reported

$000	2021	2022	2023	% of revenue 2021	2022	2023
Recurring fees	X,XXX	X,XXX	X,XXX	XX.X%	XX.X%	XX.X%
Systems Income	XXX	XXX	X,XXX	XX.X%	XX.X%	XX.X%
Service Income	XXX	XXX	XXX	XX.X%	XX.X%	X.X%
Convenience fee income	XX	XXX	XXX	X.X%	X.X%	X.X%
AMS Meter install income	XX	-	-	X.X%	X.X%	X.X%
Discounts Granted	(X)	(X)	(XX)	X.X%	-X.X%	-X.X%
Revenue	**X,XXX**	**X,XXX**	**X,XXX**	**XXX.X%**	**XXX.X%**	**XXX.X%**

Convenience fee income (red box): reflects credit card processing charges to tenants. The convenience fee is transferred from the "PSN" account on a net basis (net of the Company's cost of credit card processing fee). As such, the credit card processing cost is not reflected in the financial statements.

Revenue by category - recast

$000	2021	2022	2023	% of revenue 2021	2022	2023
Recurring fees	X,XXX	X,XXX	X,XXX	XX.X%	XX.X%	XX.X%
Systems Income	XXX	XXX	X,XXX	XX.X%	XX.X%	XX.X%
Service Income	XXX	XXX	XXX	XX.X%	XX.X%	X.X%
Convenience fee income	XX	XXX	XXX	X.X%	X.X%	X.X%
AMS Meter install income	XX	-	-	X.X%	X.X%	X.X%
Discounts Granted	(X)	(X)	(XX)	X.X%	-X.X%	-X.X%
Revenue	**X,XXX**	**X,XXX**	**X,XXX**	**XXX.X%**	**XXX.X%**	**XXX.X%**

We have included a summary of reported and recast revenue by category (taking into account the "Revenue recognition" Quality of earnings adjustment). Client should consider that the mix of recurring fees in 2020 was much higher in 2020 and 2021 than 2019, likely contributing to the higher EBITDA margin % in those periods.

General

- Refer to the *Executive Summary* for details on the primary revenue streams and associated revenue recognition.

Recurring fees

- In addition to the standard service fee, the Company charges late fees and delinquency fees along with a variety of other ancillary fees (account activation, insufficient funds, duplicate statements, etc.).
- The Company charges the full cost of service to the individual tenant and the funds are collected in either the Company's "Trust" account (manual checks) or the Company's "PSN" account (credit card and ACH payments). Funds deposited within the "PSN" account are subsequently transferred to the "Trust" account.
- Reimbursement checks are sent to the Company's customer by the 25th of the month following service.
- The recurring fees are deducted from the reimbursement checks and transferred into the Company's operating account.

Note: In the analysis, we did not attempt to bifurcate the Revenue Recognition adjustment between System income and Service income (the full adjustment was applied to Systems income) as bifurcating the adjustment would not impact the recurring fee mix.

Top Customers – sorted on 20XX						
$000	**Revenue**			**% of total - Revenue**		
Customer Name	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Customer 1	XX	XXX	XX	X.X%	X.X%	X.X%
Customer 2	XX	XX	XXX	X.X%	X.X%	X.X%
Customer 3	-	-	XX	X.X%	X.X%	X.X%
Customer 4	X	-	XXX	X.X%	X.X%	X.X%
Customer 5	XX	X	X	X.X%	X.X%	X.X%
Customer 6	XXX	-	XX	X.X%	X.X%	X.X%
Customer 7	XX	XXX	XX	X.X%	X.X%	X.X%
Customer 8	X	XX	-	X.X%	X.X%	X.X%
Customer 9	-	XXX	X	X.X%	X.X%	X.X%
Customer 10	XX	-	XX	X.X%	X.X%	X.X%
Customer 11	-	-	XXX	X.X%	X.X%	X.X%
Customer 12	XXX	X	X	X.X%	X.X%	X.X%
Customer 13	-	-	XXX	X.X%	X.X%	X.X%
Customer 14	XX	-	X	X.X%	X.X%	X.X%
Customer 15	XXX	X	X	X.X%	X.X%	X.X%
Customer 16	-	-	X	X.X%	X.X%	X.X%
Customer17	XX	XXX	XX	X.X%	X.X%	X.X%
Customer18	XX	-	XXX	X.X%	X.X%	X.X%
Customer19	XX	X	XX	X.X%	X.X%	X.X%
Customer 20	XXX	XXX	XX	X.X%	X.X%	X.X%
Customer 21	XX	X	X	X.X%	X.X%	X.X%
Customer 22	XX	X	X	X.X%	X.X%	X.X%
Customer 23	X	X	XX	X.X%	X.X%	X.X%
Customer 24	X	XX	XXX	X.X%	X.X%	X.X%
Customer 25	X	-	X	X.X%	X.X%	X.X%
Top 25 Customers	XXX	XXX	XXX	XX.X%	XX.X%	XX.X%
Other Customers	XXX	XXX	XXX	XX.X%	XX.X%	XX.X%
Total Revenue by Customer	**X,XXX**	**X,XXX**	**X,XXX**	**XXX.X%**	**XXX.X%**	**XXX.X%**
Unreconciled Difference	(XX)	(XXX)	(XX)	-X.X%	-X.X%	-X.X%

The top 25 customers contributed XX.0% of 20XX revenue and the largest customer accounted for less than 4% of revenue. We noted no indications of churn among the top 25 customers in the Historical Period.

Reflects the convenience fee charged to tenants for credit card processing.

The top 25 customers contributed XX.X% of 20XX revenue and the largest customer accounted for less than X% of revenue. We noted no indications of churn among the top 25 customers in the Historical Period.

Cost of Sales						
				% of revenue		
$000	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Materials	X,XXX	XXX	XXX	XX.X%	XX.X%	XX.X%
Postage	XXX	XXX	XXX	X.X%	X.X%	X.X%
PCS fees	XXX	XXX	XXX	X.X%	X.X%	X.X%
Travel - meters	XX	X	XX	X.X%	X.X%	X.X%
Outside reading service	XX	XX	XX	X.X%	X.X%	X.X%
Outside work	XX	XX	XX	X.X%	X.X%	X.X%
Freight and Delivery	X	-	XX	X.X%	X.X%	X.X%
Weight & Measures fees	X	XX	X	X.X%	X.X%	X.X%
Client internet	-	XX	XX	X.X%	X.X%	X.X%
Shop/job supplies	X	X	X	X.X%	X.X%	X.X%
Inventory adjustments	(XX)	(X)	(XXX)	X.X%	X.X%	X.X%
Cost of Sales	**X,XXX**	**X,XXX**	**X,XXX**	**XX.X%**	**XX.X%**	**XX.X%**

Red box: The company acquired Entity, a small XX install company prior to 2022 and management noted that its activity declined significantly as a result of Covid, resulting in lower outside meter needs.

Blue box: The Company experienced lower costs related to meter reading and installation, primarily due to Covid. We did not include an adjustment for the savings in the Covid related savings adjustment in the Quality of earnings analysis as it is likely that at least a portion of the savings would be offset by reduced Revenue.

Yellow box: The Company is required to place a red tag on the door of tenants who are delinquent. In March 2022, the Company began shipping the tags to the tenant, increasing postage costs. Management indicated that shipping is more costly than physically delivering the tags. We have not included an adjustment for this cost as the cost differential is unclear. However, we understand that the Company is planning to return to physically delivering the tags.

Operating expenses decreased from XX.X% of revenue in 2021 to XX.X% in 2023 as revenue grew and much of the operating expense base has remained fairly constant. In 2020, the Company experienced savings related to Covid, which we have attempted to adjust for in the Quality of earnings analysis.

Operating Expense

$000	2021	2022	2023	% of revenue 2021	2022	2023
Personnel expense:						
Payroll	XXX	XX	XXX	XX.X%	XX.X%	XX.X%
Temp & contract labor	XX	X	XX	X.X%	X.X%	X.X%
Commision expense	XX	XX	-	X.X%	X.X%	X.X%
Payroll tax and benefits	XX	XX	XX	X.X%	X.X%	X.X%
Pension plan expense 40	XX	XX	XX	X.X%	X.X%	X.X%
Health Insurance	XX	XX	XX	X.X%	X.X%	X.X%
Personnel expense	X,XXX	X,XXX	X,XXX	XX.X%	XX.X%	XX.X%
Rent expense	XX	XX	XXX	X.X%	X.X%	X.X%
Technology	XX		XX	X.X%	X.X%	X.X%
Depreciation & amortization	XX	XX	XX	X.X%	X.X%	X.X%
General & administrative	XX	XX	XX	X.X%	X.X%	X.X%
Travel & entertainment	XX	XX	XX	X.X%	X.X%	X.X%
Office supplies& expenses	XX	X	XX	X.X%	X.X%	X.X%
Advertising & marketing	XX	XX	XX	X.X%	X.X%	X.X%
Insurance	XX	XX	XX	X.X%	X.X%	X.X%
Building Maintenance	XX	XX	XX	X.X%	X.X%	X.X%
Professional fees	XX	XX	XX	X.X%	X.X%	X.X%
Utilities	XX	XX	XX	X.X%	X.X%	X.X%
Other expense	XX	XX	XX	X.X%	X.X%	X.X%
Bad debts	X	X	XX	X.X%	X.X%	X.X%
Taxes	X	X	XX	X.X%	X.X%	X.X%
Total operating expense	X,XXX	X,XXX	X,XXX	XX.X%	XX.X%	XX.X%

The Company experienced significant turnover in the 2nd half of 2022. Refer to the Executive Summary | Significant Considerations section for details. We reconciled payroll costs in the financial statements to underlying payroll reports.

Payroll Reconciliation

$000	2022	2023
Payroll per financials:		
Payroll expense	XXX	X,XXX
Commission expense	X	-
Change in accrued payroll	(X)	(XX)
Total payroll expense	XXX	XXX
Payroll by employee reports:		
Gross earnings	XXX	X,XXX
Difference to financials	(XX)	(XX)

The Company primarily hires employees on a temporary basis (typically 90 days) through a staffing agency.

In 2022, the Company benefitted from certain savings associated with Covid. Refer to the Covid related savings adjustment in the Quality of earnings analysis for further details.

Primarily relates to leasehold improvements at the Company's facility as well as certain personal costs of the shareholders. See the Quality of earnings analysis for details.

Primarily relates to leasehold improvements at the Company's facility as well as certain personal costs of the shareholders. See the Quality of earnings analysis for details.

Other income/(expense)

				% of revenue		
$000	2021	2022	2023	2021	2022	2023
Unusual professional expense	(X)	(XX)	(XXX)	X.X%	-X.X%	-X.X%
State Income Tax	(X)	(X)	(XXX)	-X.X%	-X.X%	-X.X%
Federal Income Tax	-	(X)	(X)	X.X%	X.X%	-X.X%
Interest Expense	(X)	-	(X)	-X.X%	X.X%	X.X%
AMS Income	-	(X)	-	X.X%	X.X%	X.X%
AMS Loss	(X)	(X)	(XXX)	X.X%	X.X%	X.X%
PPP loan	(X)	(X)	-	X.X%	-X.X%	X.X%
Gain on disposal (AMS truck)	(X)	-	-	X.X%	X.X%	X.X%
Legal settlement	(X)	-	(X)	X.X%	X.X%	X.X%
Prior year adjs – BOE refund	-	(X)	-	X.X%	-X.X%	X.X%
Rental Income	(X)	-	(X)	X.X%	X.X%	X.X%
Other income/(expense)	XX	XXX	(XXX)	X.X%	X.X%	X.X%

Primarily includes costs associated with the transaction (as well as prior transactions) and personal expenses. A detail of these costs are presented below.

Reflects a net non-operating loss associated with the consolidation of Entity.

Reflects rental income on the space currently occupied by the Company. We understand that the tenant departed in 2023 and the Company has largely taken over the space previously occupied by the tenant.

Unusual Professional Expense

$000	**2021**	**2022**	**2023**
Outside Advisor	-	(XX)	(XX)
CEO – replacement CEO	-	-	(XX)
Personal Travel	-	-	(XX)
Personal and Transaction Advisors	-	(XX)	(XX)
Capex Improvements	-	-	(XX)
Other (Income/expense)	**-**	**(XX)**	**(XXX)**
Check		-	

Reflects rental income on the space currently occupied by the Company. We understand that the tenant departed in 2022 and the Company has largely taken over the space previously occupied by the tenant.

Top Vendors						
	$000			% of total purchases		
Vendor	2021	2022	2023	2021	2022	2023
Vendor 1	XXX	XXX	XXX	X.X%	XX.X%	XX.X%
Vendor 2	XXX	XXX	XXX	XX.X%	X.X%	X.X%
Vendor 3	XXX	XXX	XXX	X.X%	X.X%	X.X%
Vendor 4	XXX	XXX	XXX	X.X%	X.X%	X.X%
Vendor 5	XXX	X	XXX	X.X%	X.X%	X.X%
Vendor 6	XXX	XXX	XXX	X.X%	X.X%	X.X%
Vendor 7	XX	XX	XXX	X.X%	X.X%	X.X%
Vendor 8	XXX	-	XXX	X.X%	X.X%	X.X%
Vendor 9	-	XX	XXX	X.X%	X.X%	X.X%
Vendor 10	XXX	XX	XXX	X.X%	X.X%	X.X%
Vendor 11	XX	-	XXX	X.X%	X.X%	X.X%
Vendor 12	XX	XX	XX	X.X%	X.X%	X.X%
Vendor 13	-	XX	XX	X.X%	X.X%	X.X%
Vendor 14	-	-	XX	X.X%	X.X%	X.X%
Vendor 15	XXX	XX	XX	X.X%	X.X%	X.X%
Top 15 Vendors	X,XXX	X,XXX	X,XXX	XX.X%	XX.X%	XX.X%
Other Vendors	X,XXX	X,XXX	X,XXX	XX.X%	XX.X%	XX.X%
Total Purchases	X,XXX	X,XXX	X,XXX	XXX.X%	XXX.X%	XXX.X%

Exhibits

Unless otherwise noted, our work focused on the twelve months ended December 31, 2021, December 31, 2022, and December 31, 2023.

Financial due diligence

General

1. Review and analyze financial, accounting and other relevant information made available by the Company to identify major issues and risk areas for further consideration. Prepare a supplemental "Data Request" for any additional information required and review and analyze the supplemental information received.

2. With an emphasis on the implications for cash flows and earnings, inquire about the general history of the Company's current operations and recent or planned changes in its business, including:

- Service offerings
- Environment in which the Company operates, markets served, and competitive conditions
- Customers and related terms and provisions of the contracts
- Suppliers/subcontractors and related terms and provisions of the contracts

Quality of earnings

3. Read and analyze the Company's financial statements and reports. Inquire about:

- Process and timing of periodic closing, quality of related information submitted and locations of relevant accounting records
- Significant accounting policies and procedures
- Non-GAAP practices
- Consistency of interim financial reporting policies and procedures compared to those used in the annual financial statements
- Changes in accounting, estimating and project evaluation processes, or reporting practices or procedures that could affect comparability or trends in earnings or cash flows
- Events subsequent to the most recent balance sheet date that could have a significant impact on current financial position, future earnings or cash flows

4. Inquire about the nature of relationships and transactions with related parties, with a focus on earnings and cash flows, whether applicable costs are reflected in the Company's results of operations, the basis of determining costs, and whether the relationships and costs will continue after the Proposed Transaction.

5. Analyze monthly operating data, including:

- Revenue and cost of revenue
- Selling, general and administration expenses (by type and by function)
- Other income and expense

6. Inquire about:

- Significant non-recurring, unusual or out-of-period charges and credits
- Composition of account balances
- Variances of annual and year to date results from prior year and trends
- Unusual fluctuations in monthly amounts
- Discretionary or temporary reductions or deferrals of certain expenses

7. Analyze revenue by type (e.g., fees, systems, and service) and gross profit by type where information is available.

8. Obtain support for and evaluate Management's adjustments to EBITDA.

9. Reconcile payroll costs on the income statements to third-party payroll reports for 2022.

Working capital

10. Analyze monthly working capital trends, with a focus on elements directly attributable to operations. Inquire about factors impacting the trends indicated (such as seasonality).

Unless otherwise noted, our work focused on the twelve months ended December 31, 2021, December 31, 2022, and December 31, 2023.

11. Analyze a summary of receivables, including aging and write-offs. Inquire about:
   - Methodology for reserving for doubtful accounts
   - Inquire about Management's assessment of collectability of receivables outstanding
   - Payment terms of customers

12. Analyze inventory detail and obtain an understanding of the following:
   - Inventory valuation methodology as well as types of costs capitalized
   - Timing of and results of physical inventories
   - Reserve methodology and write-off history

13. Analyze a summary of trade payables, including aging statistics. Inquire about:
   - Normal and special credit terms, significant past due payables and disputes
   - Trade payable payment policies and turnover

14. Analyze a summary of accrued liabilities. Inquire about:
   - Basis for and adequacy of accruals for such items as payroll and related taxes, bonuses, vacation pay, litigation, deferred revenue, etc.
   - Nature, movements, and impact on earnings of significant accrued liabilities and reserves
   - Payment practices and timing of related cash outflows

<u>Other assets and liabilities</u>

15. Analyze a summary of fixed assets and inquire about accounting policies regarding capitalization, depreciation and impairment

16. Analyze summary of other assets.

17. Analyze summary of other liabilities.

<u>Commitments and contingent liabilities</u>

18. Prepare a debt and debt-like items schedule.

19. Analyze a summary of contingent liabilities. Inquire about:
   - Litigation
   - Off-balance sheet transactions
   - PPP loans received and status of forgiveness

<u>Proof of cash</u>

1. For the last 12 months ended in 2022, compare cash receipts per the bank statements to revenue recorded on the income statement while factoring in any reconciling items. Also, compare cash disbursements per the bank statement to expenses recorded on the income statement while factoring in any reconciling items.

WORKING CAPITAL

$000	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	AVERAGES L3	L6	LTM
CURRENT ASSETS	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**
CASH	XXX	XXXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
ACCOUNTS RECEIVABLE	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
INVENTORY	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
OTHER CURRENT ASSETS	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
TOTAL CURRENT ASSETS	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
CURRENT LIABILITIES																
ACCOUNTS PAYBALE	XX	XX	XX	XXX	XX	XXX	XXX	XX	XXX	XX	XXX	XXX	XX	XXX	XXX	XXX
CREDIT CARDS PAYABLE	-	-	-	-	-	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX
ACCRUED EXPENSE	XX	XX	XX	XX	XX	XX	XX	XX	XXX	XXX	XX	XX	XX	XX	XX	XX
UNEARNED REVENUE	XX	XX	XX	XX	XX	XX	-	-	-	-	-	-	-	-	-	X
NOTES PAYBALE	XX	XX	XX	-	-	-	-	-	-	-	-	-	-	-	-	X
OTHER CURRENT LIABILITES	XX	XX	XX	XX	X	X	XX	X	X	XX	XX	XX	X	X	X	X
TOTAL CURRENT LIABILITIES	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
NWC, AS REPORTED	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**
EXCLUDED ITEMS																
CASH	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
NOTES PAYABLE	X	X	-	-	-	-	-	-	-	-	-	-	-	-	-	X
TOTAL DEFINITIONAL ADJUSTEMENTS	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)
NWC, AS DEFINED	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**
NORMALIZING ADJUSTMENTS																
OUTSIDE ADVISOR LOAN	-	-	-	-	-	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)
UNEARNED REVENUE	XX	XX	XX	XX	XX	-	-	-	-	-	-	-	-	-	-	XX
INVENTORY	XXX	XXX	XXX	XXX	XXX	XX	XXX	XXX	XXX	XXX	(XX)	(XX)	XX	XXX	XXX	XXX
TOTAL NORMALIZING ADJUSTMENTS	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
NWC, ADJUSTED	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

ADJUSTED WORKING CAPITAL	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	L3	L6	LTM
ACCOUTNS RECEIVABLE	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
INVENTORY	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
OTHER CURRENT ASSETS	XX	XX	XX	XX	XX	XX	XX	X	X	X	X	XX	XX	XX	XX	XX
ACCOUNTS PAYABLE	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XXX)	(XX)	(XX)	(XXX)	(XXX)	(XXX)
CREDIT CARDS PAYABLE	-	-	-	-	-	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)
ACCRUED EXPENSES	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XXX)	(XXX)
OTHER CURRENT LIABILITES	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(X)	(XX)	(XX)	(X)	(X)	(X)	(X)	(X)
NWC, ADJUSTED	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**	**XXX**

The Company does not maintain an allowance for doubtful accounts as write-offs have been very limited. However, the Company does have slow paying customers from time to time and $XX,XXX of AR was over 90 days at December 31, 2023. Client should consider treating any AR not collected prior to the closing true-up as a purchase price reduction.

AR Aging								
$000	Dec-20		Dec-21		Dec-22		Dec-23	
0-30 Days	XX	XX%	XXX	XX%	XXX	XX%	XX	XX%
31-60 Days	XX	XX%	XX	XX%	X	X%	X	X%
61-90 Days	X	X%	X	X%	X	X%	XX	XX%
Over 90 Days	XX	XX%	XX	XX%	XXX	XX%	XX	XX%
Credits	(XX)	-XX%	(XXX)	-XXX%	(XX)	-XX%	(XX)	-X%
Reclass to “Deposits”	-	X%	XXX	XXX%	-	X%	-	X%
Accounts Receivable	**XXX**	**XXX%**	**XXX**	**XXX%**	**XXX**	**XXX%**	**XXX**	**XXX%**
61-90 Days								
Customer 1	-	X%	-	X%	-	X%	XX	X%
Other Customers	X	X%	X	X%	X	X%	XX	X%
Total 61-90 Days	**X**	**X%**	**X**	**X%**	**X**	**X%**	**XX**	**XX%**
Over 90 Days								
Customer 2	-	X%	-	X%	-	X%	XX	XX%
Customer 3	-	X%	-	X%	XX	X%	-	X%
Customer 4	-	X%	-	X%	XX	X%	-	X%
Customer 5	XX	XX%	XX	X%	-	X%	-	X%
Other Customers	XX	XX%	XX	XX%	XX	XX%	XX	XX%
Total Over 90 Days	XX	XX%	XX	XX%	XXX	XX%	XX	XX%

The Company performed a full inventory count around the December 31, 2023 period and provided us with details of inventory by SKU. The top 25 SKUs accounted for XX.X% of the overall inventory value. Refer to the Executive Summary | Significant Considerations slide for further details around inventory.

Top 25 SKUs					
Item ID	**Item Description**	**Quantity - # of units**	**Cost - $**	**Value $000**	**% of total**
SKU1	Description	XXX	XXX	XX	XX.X %
SKU2	Description	XXX	XXX	XX	XX.X%
SKU3	Description	XXX	XXX	XX	X.X%
SKU4	Description	XXX	XXX	XX	X.X%
SKU5	Description	XXX	XXX	XX	X.X%
SKU6	Description	XXX	XX	XX	X.X%
SKU7	Description	XXX	XXX	XX	X.X%
SKU8	Description	XXX	XX	XX	X.X%
SKU9	Description	XXX	XX	XX	X.X%
SKU10	Description	XXX	XXX	XX	X.X%
SKU11	Description	XXX	XX	X	X.X%
SKU12	Description	XX	XX	XX	X.X%
SKU13	Description	XXX	X	XX	X.X%
SKU14	Description	XXX	X	XX	X.X%
SKU15	Description	XXX	XXX	XX	X.X%
SKU16	Description	XX	XXX	XX	X.X%
SKU17	Description	XX	XX	XX	X.X%
SKU18	Description	XXX	XX	XX	X.X%
SKU19	Description	XXX	XX	XX	X.X%
SKU20	Description	X,XXX	X	XX	X.X%
SKU21	Description	X,XXX	X	X	X.X%
SKU22	Description	XXX	X	X	X.X%
SKU23	Description	XXX	X	X	X.X%
SKU24	Description	XX	X	X	X.X%
SKU25	Description	X,XXX	X	X	X.X%
Top 25 SKUs		XX,XXX		XXX	XX.X%
All other SKUs		XX,XXX		XXX	XX.X%
Inventory		**XX,XXX**		**XXX**	**XX.X%**

Accounts payable were largely current at each of the balance sheet dates in the Historical Period. The Company accrues for payroll as well as vacation and sick time on a monthly basis.

AP Aging								
$000	Dec-20		Dec-21		Dec-22		Dec-23	
0-30 Days	XX	XX%	XXX	XX%	XXX	XX%	XX	XX%
31-60 Days	XX	XX%	XX	XX%	X	X%	X	X%
61-90 Days	X	X%	X	X%	X	X%	XX	XX%
Over 90 Days	XX	XX%	XX	XX%	XXX	XX%	XX	XX%
Difference	(XX)	-XX%	(XXX)	-XXX%	(XX)	-XX%	(XX)	-X%
Accounts Payable	**XXX**	**XXX%**	**XXX**	**XXX%**	**XXX**	**XXX%**	**XXX**	**XXX%**
61-90 Days								
Customer 1	-	X%	-	X%	-	X%	XX	X%
Other Vendors	X	X%	X	X%	X	X%	XX	X%
Total 61-90 Days	**X**	**X%**	**X**	**X%**	**X**	**X%**	**XX**	**XX%**
Over 90 Days								
Other Vendors	XX	XX%	XX	XX%	XX	XX%	XX	XX%
Total Over 90 Days	XX	XX%	XX	XX%	XXX	XX%	XX	XX%

Accrued Expense			
$000	**2021**	**2022**	**2023**
Accrued Payroll	XX	XX	XX
Accrued Vacation Pay	XX	XX	XX
Accrued Sick Pay	X	X	X
Accrued Expense	**XX**	**XX**	**XX**

The Company spent approximately $XXX,XXX in operating capex (i.e., excluding personal assets) in 2022 and $XXX,XXX in 2023; however, the majority of 2023 capex related to meters placed on rental.

Fixed Asset Rollforward

$000	Dec-2021	Additions	Disposals	Dec-2022	Additions	Disposals	Dec-2023
Leasehold improvements	XXX	-	-	XXX	XX	-	XXX
Equipment	XX	XXX	-	XXX	XX	(X)	XXX
Vehicles	XXX	XX	(XX)	XXX	XX	-	XXX
Computer Hardware	XX	-	-	XX	X	X	XX
Computer Software	-	-	-	-	X	-	X
Furniture & Equipment	XX	-	-	XX	XX	-	XX
Aircraft	-	XXX	-	XXX	-	-	XXX
Aircraft Hanger	-	XXX	-	XXX	-	-	XXX
Customer list AMS	-	XX	-	XX	-	-	XX
Gross fixed assets	XXX	XXX	(XX)	XXX	XXX	(X)	X,XXX
Accumulated Depreciation	(XXX)	(XX)	XX	(XXX)	(XX)	-	(XXX)
Net fix assets	XXX	XXX	XX	XXX	XX	(X)	XXX
Less: personal vehicle	-	(XX)	-	(XX)	-	-	(XX)
Less: non-operating assets	-	(XXX)	-	(XXX)	-	-	(XXX)
Net operating fixed assets	XXX	XX	XX	XXX	XX	(X)	(XXX)
Operating capex		XXX			XXX		

Primarily reflects capex associated with meters placed on rental.

Non-operating assets primarily consist of a plane and aircraft hangar utilized by the owner as well as a Ford Model XY. We understand these assets will not transition in the sale. Additionally, $XXX,XXX was allocated to goodwill as part of the Entity acquisition.

Cash collections on the financial statements reconciled to the underlying bank statements in 2023 within $XXX,XXX or X.X% of reported revenue

Proof of Revenue													
$000	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	2023
Deposits per bank statement													
Chase - 6258	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Bank of the west-2135	-	-	-	-	-	-	-	X	-	X	XX	XX	XX
Total cash per bank statements	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Less: Adjustments to cash													
Transfer in: Interbank transfers	-	-	-	-	-	XXX	-	-	-	-	-	-	XXX
Sales tax payable	X	X	X	X	X	X	X	X	X	X	X	X	XXX
Total Adjustments	X	X	X	X	X	XXX	X	X	X	X	X	X	XXX
Adjusted cash collections	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Financial statements													
Reported revenues	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Change in accounts receivable	(XX)	(XX)	XX	(XX)	XX	XX	(XX)	(XX)	(XX)	(XX)	XXX	XX	XX
Change in unearned revenue	(X)	(X)	(X)	XX	(XX)	-	-	-	-	-	-	-	(XX)
Cash collections financial statements	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Difference	(X)	XX	X	XX	XX	X	(X)	XX	(XX)	XX	XX	XX	XXX
As % of revenue	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%

Cash disbursements on the financial statements reconciled to the underlying bank statements in 2023 within $XXX,XXX or X.X% of reported expense.

Proof of Expense													
$000	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	2023
Deposits per bank statement													
Chase - 6258	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Bank of the west-2135	-	-	-	-	-	-	-	X	-	X	XX	XX	XX
Disbursements per bank statements	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Less: Adjustments to cash													
Change in outstanding checks	-	-	-	-	-	XXX	-	-	-	-	-	-	XXX
Distribution	X	X	X	X	X	X	X	X	X	X	X	X	XXX
Sales tax payable	X	X	XX	XX	XX	XX	X	X	X	XX	XX	XX	XXX
Debt	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XXX
Capex	XX	X	-	-	X	X	X	X	-	X	XX	XX	XXX
Total Adjustments	X	X	X	X	X	XXX	X	X	X	X	X	X	XXX
Adjusted cash disbursements	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Financial statements													
Reported expenses (w/out depreciation)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Change in inventory	(XX)	(XX)	XX	(XX)	XX	XX	(XX)	(XX)	(XX)	(XX)	XXX	XX	XX
Change in prepaid and other current assets	(X)	(X)	(X)	XX	(XX)	-	-	-	-	-	-	-	(XX)
Change in other assets	-	-	-	-	-	(X)	(XX)	(X)	(X)	(XX)	(XXX)	(X)	(XXX)
Change accounts payable	(X)	(XX)	XX	(XX)	(XX)	(XX)	(XXX)	XXX	(XX)	(XX)	(XX)	(X)	XX
Change in credit cards	-	-	-	-	-	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	X	(XX)
Change in accrued expense	X	(X)	(X)	X	(X)	(X)	(XX)	(XX)	(X)	(X)	(X)	(X)	(X)
Change in other current liabilities	X	(X)	(X)	(X)	X	X	(X)	(X)	(X)	X	X	X	(X)
Cash disbursements financial statements	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	X,XXX
Difference	(X)	XX	X	XX	XX	X	(X)	XX	(XX)	XX	XX	XX	XXX
As % of disbursments	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%	-X.X%