

**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): July 1, 2023



**Centrex Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation)

001-37464  
(Commission  
File Number)

30-0399914  
(I.R.S. Employer  
Identification No.)

135 Fell Court  
Hauppauge, NY  
(Address of principal executive offices)

11788  
(Zip Code)

Registrant's telephone number, including area code: (631) 756-9116

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:

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

Indicate by check mark whether the registrant is an emerging growth company 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.

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

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock	CETX	Nasdaq Capital Market
Series 1 Preferred Stock	CETXP	Nasdaq Capital Market

**CURRENT REPORT ON FORM 8-K**

**Centrex, Inc.**

**Explanatory Note**

On July 7, 2023, Centrex, Inc. (the "Company") filed its Current Report on Form 8-K (the "Original Form 8-K") with the U.S. Securities and Exchange Commission (the "SEC") to report that Advanced Industrial Services, Inc. ("AIS") a Pennsylvania corporation and a wholly owned subsidiary of the Company (the "Buyer"), completed the previously announced acquisition of Heisey Mechanical, Ltd. ("Heisey") based in Columbia, Pennsylvania., pursuant to the Asset Purchase Agreement (as defined below).

As required by Regulation S-X, this Amendment No. 1 to the Original Form 8-K (this "Current Report") is being filed with the SEC to include (I) the (x) audited financial statements of Heisey Mechanical, Ltd as of, and for the fiscal year ended, December 31, 2022, and the accompanying notes, (y) unaudited financial statements of Heisey Mechanical, Ltd for the six months ended June 30, 2023, and the accompanying notes, (ii) the unaudited pro forma financial information with respect to the acquisition of Heisey, and certain other related changes to Item 9.01 of the Original Form 8-K. Please refer to the Original Form 8-K for a summary of the acquisition and the material terms of the Asset Purchase Agreement.

**Item 1.01 Entry into a Material Definitive Agreement.**

On July 1, 2023 (the “Closing Date”), Advanced Industrial Services, Inc., (“AIS”) a Pennsylvania corporation and a wholly owned subsidiary of the Company (the “Buyer”), Heisey Mechanical, Ltd. (“Heisey”) based in Columbia, Pennsylvania (the “Sellers”), completed the previously announced acquisition of Heisey (the “Acquisition”). The Acquisition was effected pursuant to the Asset Purchase Agreement, dated as of June 7, 2023, by and among the Company, Buyer, and the Sellers, (the “Asset Purchase Agreement”).

#### Item 2.01 Completion of Acquisition or Disposition of Assets.

The information set forth in Item 1.01 of the Original Form 8-K is incorporated herein by reference.

#### Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired.

In accordance with Item 9.01(a) of Form 8-K, (i) audited financial statements as of, and for the fiscal year ended, December 31, 2022, and the accompanying notes, and (ii) unaudited financial statements as of June 30, 2023, and for the three and six months ended June 30, 2023, and the accompanying notes, are included in this Current Report as Exhibits 99.1 and 99.2, respectively.

(b) Pro Forma Financial Information.

In accordance with Item 9.01(b) of Form 8-K, the Company’s unaudited pro forma financial information with respect to the acquisition of Heisey is included in this Current Report as Exhibit 99.3.

(d) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Title</u>
10.1	<a href="#"><u>Asset Purchase Agreement, dated as of June 7, 2023, by and among Heisey Mechanical, Ltd., a Pennsylvania corporation (“Seller”), and Andreas Heisey, an individual residing in the Commonwealth of Pennsylvania (“the “Shareholder” and collectively with the Seller, the “Seller Parties”) and Advanced Industrial Services, Inc., a Pennsylvania corporation (“Buyer”).</u></a>
23.1	<a href="#"><u>Consent of Grassi &amp; Co. CPAs P.C., independent registered public accounting firm.</u></a>
99.1	<a href="#"><u>Heisey Mechanical, Ltd. audited financial statements as of and for the year ended, December 31, 2022, and the accompanying notes.</u></a>
99.2	<a href="#"><u>Heisey Mechanical, Ltd. unaudited financial statements as of and for the three and six months ended June 30, 2023, and the accompanying notes.</u></a>
99.3	<a href="#"><u>Centrex, Inc. unaudited proforma condensed combined financial information</u></a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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#### 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.

**CENTREX, INC.**

Date: December 6, 2023

By: /s/ Saagar Govil

Saagar Govil  
Chairman, President and Chief Executive Officer

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## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this “**Agreement**”), dated as of June 7, 2023, is entered into by and among HEISEY MECHANICAL, LTD., a Pennsylvania corporation (“**Seller**”), and ANDREAS HEISEY, an individual residing in the Commonwealth of Pennsylvania (“the “**Shareholder**” and collectively with the Seller, the “**Seller Parties**”) and ADVANCED INDUSTRIAL SERVICES, INC., a Pennsylvania corporation (“**Buyer**”).

## RECITALS

WHEREAS, Seller is engaged in the operation of a service contractor and fabricator business that specializes in industrial and water treatment markets (the “**Business**”) located at 615 Florence Street, Columbia, PA 17512;

WHEREAS, Seller wishes to sell and assign to Buyer, and Shareholder desires to cause Seller to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all the assets, and certain specified liabilities, of the Business, subject to the terms and conditions set forth herein; and

WHEREAS, as a material inducement to Buyer executing this Agreement and agreeing to consummate the transactions contemplated hereby, it is contemplated that Buyer will acquire from Shareholder, the owner of certain real property used in the Business, and Shareholder will sell to Buyer such real property, and entering into an agreement for such sale will be a condition to Closing.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I DEFINITIONS

The following terms have the meanings specified or referred to in this ARTICLE I:

“**Action**” means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

“**Affiliate**” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“**Ancillary Documents**” means the Note, the Bill of Sale, the Assignment Agreement, the Consulting Agreement, the New Lease Agreements, the Subcontractor Agreement, and the other agreements, instruments and documents required to be delivered at the Closing.

“**Buyer’s Accountants**” means Centri Consulting.

“**Business Day**” means any day except Saturday, Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by Law or other governmental action to close.

“**CERCLA**” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

“**Closing Date Indebtedness**” means the amount equal to the aggregate Indebtedness, calculated as of 11:59 p.m. Eastern Time on the Closing Date.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Contracts**” means all contracts, purchase orders, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures and all other agreements, commitments and legally binding arrangements, whether written or oral.

“**Deposit Escrow Agent**” means Woods Oviatt Gilman LLP.

“**Deposit Escrow Agreement**” means the Escrow Agreement entered into by and among Buyer, Seller Parties and the Deposit Escrow Agent as of the date hereof, substantially in the form of Exhibit I.

“**Disclosure Schedules**” means the Disclosure Schedules delivered by Seller Parties concurrently with the execution and delivery of this Agreement.

“**Dollars**” or “**\$**” means the lawful currency of the United States.

“**Employee Benefit Credit**” means the portion of the Pre-Closing Employee Obligations attributable to accrued and unused vacation, paid time off, or other similar amounts that are accrued through the Closing Date, and calculated as a dollar amount based on each respective employee’s annual or hourly compensation, as applicable, and their corresponding days of accrued and unused vacation, paid time off, or other similar amounts through the Closing Date.

“**Encumbrance**” means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

“**Environmental Claim**” means any Action, Governmental Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence of, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law.

“**Environmental Law**” means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the

cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient or indoor air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term "Environmental Law" includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; the Federal Insecticide, Fungicide and Rodenticide Act of 1910, as amended, 7 U.S.C. §§ 136 et seq.; the Oil Pollution Act of 1990, as amended, 33 U.S.C. §§ 2701 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

"**Environmental Liabilities**" means any Liabilities arising from or under any Environmental Laws or arising as a result of a Release or the presence of any Hazardous Materials, including investigation costs, remediation costs, governmental response costs, natural resource damages, property damages, personal injury damages, attorneys' fees and expenses and consultants' fees and expenses.

"**Environmental Notice**" means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"**ERISA Affiliate**" means all employers (whether or not incorporated) that would be treated together with the Seller or any of its Affiliates as a "single employer" within the meaning of Section 414 of the Code or Section 4001 of ERISA.

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"**GAAP**" means United States generally accepted accounting principles in effect from time to time.

"**Governmental Authority**" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

"**Governmental Order**" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"**Hazardous Materials**" means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

"**Indebtedness**" means, as of any time, without duplication of amounts, all Liabilities of the Seller: (a) for borrowed money, (b) evidenced by a note, bond, debenture or similar instrument, (c) created or arising under any capital lease, vehicle loan, conditional sale, consignment or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), contingent or otherwise, (d) under letters of credit, banker's acceptances or similar credit transactions, (e) for the deferred purchase price of property, stock, assets or services with respect to which the Seller is liable, contingently or otherwise, as obligor or otherwise, (f) secured by an Encumbrance on the assets of such Person, (g) with respect to the net liability (after taking into account any positive value on a mark-to-market basis) of any interest rate swaps, currency swaps, forward Contracts, collars, caps and similar hedging obligations (valued at the termination value thereof) or with respect to any factoring programs, (h) with respect to any deferred compensation plans, pension plans, retiree medical and dental plans, termination indemnities, seniority premiums, profit sharing plans, non-qualified retirement plans and early retirement plans, (i) for any indebtedness or obligation of payment of any kind owed to an officer, director, employee or shareholder of the Seller or any of its Affiliates, (j) for any other Person's Liability or Indebtedness of the same type as any of the foregoing, whether as obligor, guarantor or otherwise, (k) all obligations and Liabilities (including the employer portion of any payroll or similar Taxes) with respect to employees and other service providers of the Seller for (A) accrued but unused vacation and paid time off, (B) accrued 401(k) and other benefit plan contributions for any service period during which the Closing occurs, and (C) accrued and unpaid performance bonus amounts for any performance period during which the Closing occurs (measured based on the greater of target level or the actual amount accrued in accordance with GAAP), (l) for declared and unpaid dividends and other distributions, (m) for accrued and unpaid interest on or in connection with any of the foregoing, and/or (n) for any premiums, commitment or other fees, reimbursements, indemnities, prepayment or termination penalties, fees, expenses or breakage costs due accrued or owing with respect to any of the foregoing.

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"**Indemnification Escrow Agent**" means Wilmington Trust, National Association. "**Indemnification Escrow Agreement**" means the Escrow Agreement entered into by and among Buyer, Seller Parties and the Indemnification Escrow Agent as of the date hereof, substantially in the form of Exhibit J.

"**Indemnification Escrow Amount**" means an amount equal to One Hundred Thousand and 00/100 Dollars (\$100,000.00).

"**Indemnification Escrow Fund**" means the escrow account established by the Indemnification Escrow Agent to hold the Indemnification Escrow Amount.

"**Intellectual Property**" means any and all rights in, arising out of, or associated with any of the following in any jurisdiction throughout the world: (a) issued patents and patent applications (whether provisional or non-provisional), including divisionals, continuations, continuations-in-part, substitutions, reissues, reexaminations, extensions, or restorations of any of the foregoing, and other Governmental Authority-issued indicia of invention ownership (including certificates of invention, petty patents, and patent utility models) ("**Patents**"); (b) trademarks, service marks, brands, certification marks, logos, trade dress, trade names, and other similar indicia of source or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications for registration, and renewals of, any of the foregoing ("**Trademarks**"); (c) copyrights and works of authorship, whether or not copyrightable, and all registrations, applications for registration, and renewals of any of the foregoing ("**Copyrights**"); (d) internet domain names and social media account or user names (including "handles"), whether or not Trademarks, all associated web addresses, URLs, websites and web pages, social media sites and pages, and all content and data thereon or relating thereto, whether or not Copyrights; (e) mask works, and all registrations, applications for registration, and renewals thereof; (f) industrial designs, and all Patents, registrations, applications for registration, and renewals thereof; (g) trade secrets, know-how, inventions (whether or not patentable), discoveries, improvements, technology, business and technical information, databases, data compilations and collections, tools, methods, processes, techniques, and other confidential and proprietary information and all rights therein ("**Trade Secrets**"); (h) computer programs, operating systems, applications, firmware and other code, including all source code, object code, application programming interfaces, data files, databases, protocols, specifications, and other documentation thereof ("**Software**"); and (i) all other intellectual or industrial property and proprietary rights.

"**Intellectual Property Assets**" means all Intellectual Property that is owned by Seller and used or held for use in the conduct of the Business as currently conducted or proposed to be conducted, together with all (i) royalties, fees, income, payments, and other proceeds now or hereafter due or payable to Seller with respect to such Intellectual Property; and (ii) Actions with respect to such Intellectual Property, whether accruing before, on, or after the date hereof/accruing on or after the date hereof, including all rights to and claims for damages, restitution, and injunctive and other legal or equitable relief for past, present, or future infringement, misappropriation, or other violation thereof.

“**Knowledge of Seller or Seller’s Knowledge**” or any other similar knowledge qualification, means the actual or constructive knowledge of any Shareholder or of any director or officer of Seller, after due inquiry.

“**Law**” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

“**Lease Agreement**” means that certain lease agreement dated December 30, 2018, between the Seller and the Shareholder whereby the Shareholder is leasing to the Seller the real property and improvements located at 615 Florence Street, Columbia, PA 17512 - Tax Parcel No. 110-23514-0-0000 (the “**Florence Street Property**”), 741 Barber Street, Columbia, PA 17512 – Tax Parcel No. 110-42954-0-0000 (the “**Barber Street Property**”), 336 Poplar Street, Columbia, PA 17512 – Tax Parcel No. 110-16772-0-0000 (the “**Poplar Street Property**”) and 252 North Fourth Street, Columbia, PA 17512 – Tax Parcel No. 110-23763-20-0000 (the “**Fourth Street Property**”).

“**Leased Real Property**” means the Florence Street Property, the Barber Street Property and 10,760 square feet of the 13,160 square foot warehouse on the Poplar Street Property.

“**Liabilities**” means any debt, liabilities, obligations or commitments of any kind, character or nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise, due or to become due, vested or unvested, executory, determined, determinable or otherwise, including any liability for Taxes.

“**Licensed Intellectual Property**” means all Intellectual Property in which Seller holds any rights or interests granted by other Persons that is used or held for use in the conduct of the Business as currently conducted (including, without limitation, implied licenses granting rights or interests to use any copyrighted materials, designs, sketches, and other Intellectual Property developed by the Seller for other Persons).

“**Losses**” means losses, assessments, damages, liabilities, deficiencies, Actions, judgments, interest, awards or settlements, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys’ fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers.

“**Material Adverse Effect**” means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Business, (b) the value of the Purchased Assets, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; *provided, however*, that “Material Adverse Effect” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Business operates; (iii) any changes in financial or securities markets in general; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by this Agreement, except pursuant to Section 4.03; (vi) any changes in applicable Laws or accounting rules; or (vii) the public announcement, pendency or completion of the transactions contemplated by this Agreement; *provided further, however*, that any event, occurrence, fact, condition or change referred to in clauses (i) through (iv) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition or change has a disproportionate effect on the Business compared to other participants in the industries in which the Business operates (in which case, only the incremental disproportionate adverse effect may be taken into account in determining whether a Material Adverse Effect has occurred).

“**Payment Instructions**” means the written instructions delivered by the Seller Parties on or prior to the Closing directing the manner of payment for all payments to be made to Seller under this Agreement.

“**Permits**” means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

“**Person**” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

“**Pre-Closing Tax Period**” means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

“**Release**” means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient or indoor air, surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

“**Representative**” means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

“**Seller’s Accountants**” means Walz Group CPA.

“**Taxes**” means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, alternative or add-in minimum, transfer, documentary, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, disability, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any Person.

“**Tax Return**” means any return, declaration, report, claim for refund, information return or statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“**Territory**” means the geographic area covered by a two hundred fifty (250) mile radius of the Leased Premises.

“**Transaction Fees and Expenses**” means, without duplication, all fees, costs and expenses incurred by or on behalf of the Seller on or prior to the Closing (whether or not invoiced) in connection with the preparation, negotiation, execution and consummation of the transactions contemplated by this Agreement in each case solely to the extent required to be paid or reimbursed by the Seller, including: (a) unpaid fees and expenses of attorneys, accountants, investment bankers, brokers, and other advisors of the Seller Parties and the Seller relating to transactions contemplated by this Agreement; and (b) all unpaid Transfer Taxes, as defined in Section 6.10, filing fees and other expenses for

which the Seller or any Seller Party are responsible under this Agreement.

## ARTICLE II PURCHASE AND SALE

**Section 2.01 Purchase and Sale of Assets.** Subject to the terms and conditions set forth herein, at the Closing, Seller shall, and Shareholder shall cause Seller to, sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of any Encumbrances, all of Seller's right, title and interest in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than the Excluded Assets), which relate to, or are used or held for use in connection with, the Business (collectively, the "**Purchased Assets**"), including, without limitation, the following:

(a) all inventory, finished goods, raw materials, work in progress inventory ("**WIP**"), packaging, supplies, parts and other inventories ("**Inventory**");

(b) all Contracts set forth on Schedule 2.01(b)(i) (to the extent assignable, the "**Assigned Contracts**") and the economic rights and benefits associated with those contracts listed on Schedule 2.01(b)(ii), which are the Contracts that are not assignable to Buyer (such Contracts, the "**Subcontracted Contracts**"), and are being subcontracted to Buyer in accordance with the terms and conditions of the Subcontractor Agreement;

(c) all Intellectual Property Assets;

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(d) all furniture, fixtures, equipment, machinery, tools, vehicles, office equipment, supplies, computers, telephones and other tangible personal property, including, without limitation, those set forth on Schedule 2.01(d) (the "**Tangible Personal Property**");

(e) all rights to any Actions of any nature available to or being pursued by Seller to the extent related to the Business, or the Purchased Assets, whether arising by way of counterclaim or otherwise;

(f) all of Seller's rights under warranties, indemnities and all similar rights against third parties to the extent related to any Purchased Assets;

(g) originals, or where not available, copies, of all books and records, including, but not limited to, books of account, ledgers and general, financial and accounting records, machinery and equipment maintenance files, drawings (soft or hard), memoranda, manuals, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any Governmental Authority), sales material and records (including pricing history, total sales, terms and conditions of sale, sales and pricing policies and practices), strategic plans, internal financial statements, marketing and promotional surveys, material and research and files relating to the Intellectual Property Assets ("**Books and Records**"); and

(h) all goodwill and the going concern value of the Business.

**Section 2.02 Excluded Assets.** Notwithstanding the foregoing, the Purchased Assets shall not include the following assets (collectively, the "**Excluded Assets**");

(a) cash and cash equivalents;

(b) all accounts or notes receivable held by Seller as of the Closing Date, and any security, claim, remedy or other right related to any of the foregoing ("**Accounts Receivable**");

(c) all Leased Real Property;

(d) Contracts that are not Assigned Contracts and are not Subcontracted Contracts, including the Lease Agreement (the "**Excluded Contracts**");

(e) the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller;

(f) all Benefit Plans and assets attributable thereto;

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(g) the rights which accrue or will accrue to Seller Parties under this Agreement and the Ancillary Documents; and

(h) all assets listed on Schedule 2.02.

**Section 2.03 Assumed Liabilities.** Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform, and discharge only the Liabilities in respect of the Assigned Contracts and Subcontracted Contracts, but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business, and do not relate to any failure to perform, improper performance, warranty, or other breach, default, or violation by Seller on or prior to the Closing (collectively, the "**Assumed Liabilities**"), and no other Liabilities.

**Section 2.04 Purchase Price.** The aggregate consideration for the purchase of the Purchased Assets shall be equal to: (a) Two Million Four Hundred Thousand and 00/100 Dollars (\$2,400,000.00), plus or minus, (b) the WIP Adjustment, if any, minus (c) the Employee Benefit Credit (the "**Cash Purchase Price**"), plus (d) the assumption of the Assumed Liabilities (collectively, (a)-(d), the "**Purchase Price**")

**Section 2.05 Payment of the Purchase Price.**

(a) On the Closing Date, the Seller will deliver to the Buyer a certificate (the "**Closing Statement**"), signed by an authorized officer of the Seller, which sets forth in reasonable detail:

(i) the Closing Date Indebtedness together with customary payoff letters in respect of each holder of Indebtedness of the Seller, in form and substance reasonably satisfactory to Buyer, with respect to the payment of the "**Payoff Amount**" specified ("**Payoff Letters**"), which Payoff Letters shall, for the avoidance of doubt, include (A) the automatic release of all of the guarantees by, and all of the liens and securities interests on any assets of, the Seller relating thereto upon payment on full of such Indebtedness and (B) an authorization for the Seller, Buyer or their designees to file all releases and termination statements, as applicable; and

(ii) the Transaction Fees and Expenses, together with invoices and wire transfer instructions from each payee of any portion of the Estimated Transaction Fees and Expenses in form and substance satisfactory to Buyer.

(b) At the Closing, Buyer, and the Seller Parties as applicable, shall make or cause to be made the following payments and deliverables:

(i) to the Persons or bank accounts specified in the Payoff Letters delivered pursuant to Section 2.05(a)(i) an amount equal to that portion of the Indebtedness owing to the applicable lender parties in accordance with the applicable Payoff Letter, paid by wire transfer of immediately available funds;

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(ii) to the payees of the Estimated Transaction Fees and Expenses in accordance with the invoices and wire transfer instructions delivered by the Seller to Buyer pursuant to Section 2.05(a)(ii), paid by wire transfer of immediately available fund;

(iii) delivery of the Deposit to the Seller Parties by the Escrow Agent, pursuant to the Joint Instructions delivered pursuant to Section 3.02; and

(iv) to the Seller, delivery of a promissory note, in the form attached hereto as Exhibit A (the “**Note**”), in the original principal amount of two hundred forty thousand and 00/100 dollars (\$240,000.00), payable quarterly over a one (1) year period and bearing interest at a rate of 6.0%, pre-payable at any time;

(v) to the Seller Parties in accordance with the Payment Instructions in an amount equal to: (A) the Cash Purchase Price, minus (B) the amounts paid pursuant to Section 2.05(b)(i)-(iii), minus any amounts withheld by the Buyer pursuant to Section 2.06(c).

(c) All payments hereunder to the Seller (including the payments at Closing pursuant to Section 2.05(b)(iii)) will be made in accordance with the Payment Instructions. Notwithstanding anything to the contrary herein, Buyer shall not have any liability to any Person, including the Seller Parties, to the extent payments are made in accordance with the Payment Instructions.

### Section 2.06 Work in Process Adjustment.

(a) For each Assigned Contract and Subcontracted Contract involving WIP with a customer that has not been completed and delivered (“**WIP Contracts**”), the Buyer and Shareholder shall, within five (5) days prior to the Closing, conduct a physical, in-person accounting of the WIP and Contracts and agree upon a calculation of the following in a jointly signed written statement (“**WIP Statement**”): (a) the total completion percentage of each WIP Contract, based on the estimated total costs of each WIP Contract that have been expended including costs expended with respect to approved change orders and change orders pending approval (“**WIP Contract Completion Percentage**”), (b) the total amounts actually received from or invoiced to the third party customer under each WIP Contract (“**WIP Contract Actual Received/Invoiced Amount**”), (c) the total amounts that the Seller was or is entitled to receive upon completion of the WIP Contract in full, in the aggregate upon the initial entry into each WIP Contract plus the aggregate amount due on all approved change orders and all change orders pending approval (“**WIP Contract Aggregate Consideration**”), and (d) the calculation of the product of: (i) the WIP Contract Completion Percentage, multiplied by (ii) the WIP Contract Aggregate Consideration, for each WIP Contract (“**WIP Actual Earned Amount**”). If the WIP Actual Earned Amount exceeds the WIP Contract Actual Received/Invoiced Amount, such difference shall be credited to Seller Parties at the Closing, and if the WIP Contract Actual Received/Invoiced Amount exceeds the WIP Actual Earned Amount, such difference shall be credited to Buyer at the Closing (collectively, the “**WIP Adjustment**”). In determining the WIP Contract Completion Percentage for each WIP Contract, all inventory stored on the construction site shall be included in the costs expended for that WIP Contract.

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(b) In the event Buyer and Shareholder disagree on any matters or components relating to the WIP Statement, such matters shall, at or prior to Closing, be summarized in reasonable detail in separate written statements, prepared by each of Buyer and Shareholder and submitted to the other party, and which statements shall include the dollar value of the underlying dispute. Within ten (10) days following Closing, Buyer and Seller shall together engage: (A) an independent third party with familiarity in conducting inventories in the Business (if such disputed matters relate to the WIP Contract Completion Percentage), and/or (B) an independent accounting firm (if such disputed matters relate to the calculation of the WIP Actual Earned Amount or the WIP Adjustment) to review such disputed matter(s) (as applicable, the “**Reviewer**”). Following the engagement of the Reviewer, each party, no later than forty-eight (48) hours thereafter, shall submit their written statements, together with any other information deemed relevant by them, to the Reviewer(s). A party failing to submit its summary within this timeframe shall be deemed to have waived such right of submission under this Section 2.06(b). The Reviewer(s) shall make a determination on the disputed matters submitted to it, and the parties shall use commercially reasonable best efforts to cause the Reviewer to make such determinations within thirty (30) days of the Closing Date, which determination shall be final and binding on the parties absent manifest error. The parties shall take all such further actions and provide all such further information as reasonably requested by the applicable Reviewer. The fees and expenses of the Reviewer(s) (“**Reviewer Fees**”) shall be borne equally by the Buyer and Shareholder, and shall be paid immediately following the resolution by the Reviewer under this Section 2.06.

(c) An amount equal to the dollar value of the disputed amounts shall be withheld by the Buyer at the Closing. If the determination of the Reviewer: (A) is ultimately made in whole or in part in favor of the Seller, such finally determined amounts shall be promptly paid by the Buyer to the Seller Parties, and (B) is made in favor of the Buyer, no further amounts shall be owed to Buyer or Seller under this Section. The Buyer and Seller may, as an alternative to the dispute resolution process set forth above, mutually agree to split or agree on any alternative remedy with respect to such disputed amounts upon the joint written consent of the Buyer and Seller.

**Section 2.07 Allocation of Purchase Price.** Seller Parties and Buyer agree that the Purchase Price shall be allocated among the Purchased Assets for all purposes (including Tax and financial accounting) as shown on Schedule 2.07 (the “**Allocation Schedule**”). The Allocation Schedule shall be binding upon the Buyer and the Seller, and neither the Buyer nor the Seller shall file (or permit the filing of) any Tax Return, or take a position (or permit a position to be taken) with a Governmental Authority, that is inconsistent with the Allocation Schedule unless otherwise required by a final “determination” within the meaning of Code Section 1313. The Buyer and the Seller Parties agree to revise the Allocation to reflect any adjustment made to the Purchase Price pursuant to this Agreement.

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**Section 2.08 Third Party Consents; Non-Assignable Contracts.** To the extent that Seller’s rights under any Contract or Permit constituting a Purchased Asset, or any other Purchased Asset, may not be assigned to Buyer without the consent of another Person which has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use its reasonable best efforts to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Buyer’s rights under the Purchased Asset in question so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent permitted by law and the Purchased Asset, shall act after the Closing as Buyer’s agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by Law and the Purchased Asset, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer. Notwithstanding any provision in this Section 2.08 to the contrary, Buyer shall not be deemed to have waived its rights under Section 7.01(e) (in respect of Section 3.02(a)(xiii)) hereof unless and until Buyer either provides written waivers thereof or elects to proceed to consummate the transactions contemplated by this Agreement at Closing. During such period in which the applicable Contract or Permit is not assigned to Buyer, Seller and Shareholder will, subject to the terms and conditions of the Subcontractor Agreement, make such arrangements as may be necessary to enable Buyer to receive all the economic rights and benefits under such Contract and/or Permit accruing on and after the Closing Date.

**Section 2.09 Deposit Escrow.** Within five (5) days of the date hereof, the Buyer shall deliver to the Deposit Escrow Agent the sum of One Hundred Fifty Thousand and 00/00 Dollars (\$150,000.00) (the “**Deposit**”), which Deposit shall be held upon the terms of this Agreement and the Deposit Escrow Agreement.

**Section 2.10 Indemnification Escrow.** In accordance with the Indemnification Escrow Agreement, at or prior to the Closing, the Buyer shall deposit or cause to be deposited with the Indemnification Escrow Agent, the Indemnification Escrow Amount, which shall be held upon the terms of this Agreement and the Indemnification Escrow Agreement. The Buyer, on the one hand, and Seller Parties, on the other hand, agree to each pay fifty percent (50%) of the fees of the Indemnification Escrow Agent in connection with the services provided by it under the Indemnification Escrow Agreement.

### ARTICLE III CLOSING

**Section 3.01 Closing.** Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the “**Closing**”) shall take place remotely by exchange of documents and signatures (or their electronic counterparts), at 12:01 A.M., E.S.T. time, on the day after all of the conditions to Closing set forth in Article VII are either satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time, date or place as Seller Parties and Buyer may mutually agree upon in writing. The date on which the Closing is to occur is herein referred to as the “**Closing Date**”.

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#### Section 3.02 Closing Deliverables.

(a) At the Closing, Seller Parties shall deliver to Buyer the following:

- (i) The Closing Statement;
- (ii) a bill of sale in the form of Exhibit B hereto (the “**Bill of Sale**”) and duly executed by Seller, transferring the tangible personal property included in the Purchased Assets to Buyer;
- (iii) an assignment and assumption agreement in the form of Exhibit C hereto (the “**Assignment Agreement**”) and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets;
- (iv) the Consulting Agreement in the form of Exhibit D hereto (the “**Consulting Agreement**”), duly executed by the Shareholder;
- (v) new lease agreements between the Buyer and the Shareholder for the lease of the each of the Leased Real Property, in the form of Exhibit E hereto (the “**New Lease Agreements**”), duly executed by the Shareholder;
- (vi) a binding real estate purchase agreement between Buyer, or an affiliate of the Buyer, and Shareholder, for the sale of the Florence Street Property and the Barber Street Property, substantially in the form attached hereto as Exhibit G (the “**Real Estate Purchase Agreement**”), duly executed by the Shareholder;
- (vii) a subcontractor agreement, in the form attached hereto as Exhibit H (“**Subcontractor Agreement**”), duly executed by Seller;
- (viii) the Indemnification Escrow Agreement, duly executed by Seller Parties and Indemnification Escrow Agent;
- (ix) a certificate pursuant to Treasury Regulations Section 1.1445-2(b) that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller;
- (x) a certificate of the Secretary of Seller certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors and shareholder of Seller authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

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- (xi) the Payoff Letters from the holders of the Seller’s indebtedness identified on Schedule 2.04, including evidence of the release by the holders of such indebtedness of all liens and encumbrances related to Companies or the Purchased Assets;
- (xii) Written instruction to the Escrow Agent to release the Deposit in accordance with instructions provided therein (“**Joint Instruction**”), duly executed by Seller Parties;
- (xiii) the Seller Closing Certificate;
- (xiv) title certificates for any vehicles transferred as Tangible Personal Property;
- (xv) All approvals, consents and waivers that are listed on Section 4.03 of the Disclosure Schedules shall have been received, and executed counterparts thereof shall have been delivered to Buyer at or prior to the Closing;
- (xvi) All Encumbrances relating to the Purchased Assets shall have been released in full, and Seller Parties shall have delivered to Buyer written evidence, in form satisfactory to Buyer in its sole discretion, of the release of such Encumbrances;
- (xvii) Proof that the Tax Notice has been made at least ten (10) days prior to the Closing Date;
- (xviii) A good standing certificate of the Seller, dated within ten (10) days of the Closing Date;
- (xix) One or more subordination agreements, in the form reasonably requested by the primary lender of Buyer’s parent corporation, Centrex, Inc. (“**Parent**”) and/or by the primary lender of the Buyer;
- (xx) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

(b) At the Closing, Buyer shall deliver to Seller Parties the following:



(i) The payments set forth in Section 2.05(b), including delivery of the Note;

(ii) Proof that the Indemnification Escrow Amount has been paid to the Indemnification Escrow Agent by wire transfer of immediately available funds to an account(s) designated for such purpose in writing by Indemnification Escrow Agent to Buyer;

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(iii) the Assignment Agreement duly executed by Buyer;

(iv) the Consulting Agreement, duly executed by Buyer;

(v) the New Lease Agreements, duly executed by Buyer;

(vi) the Real Estate Purchase Agreement, duly executed by Buyer;

(vii) the Subcontractor Agreement, duly executed by Buyer;

(viii) The Joint Instruction, duly executed by Buyer;

(ix) the Indemnification Escrow Agreement, duly executed by Buyer and Indemnification Escrow Agent;

(x) a guaranty agreement in the form attached as Exhibit E, executed by Parent, guaranteeing all obligations of Buyer under the Note;

(xi) a certificate of an officer or manager of Buyer certifying that attached thereto are true and complete copies of all resolutions adopted by the board of managers of Buyer authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby; and

(xii) the Buyer Closing Certificate.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER PARTIES

Except as set forth in the correspondingly numbered Section of the Disclosure Schedules, Seller and Shareholder, jointly and severally, represent and warrant to Buyer that the statements contained in this ARTICLE IV are true and correct as of the date hereof.

**Section 4.01 Organization and Qualification of Seller.** Seller is a corporation duly organized, validly existing and in good standing under the Laws of the Commonwealth of Pennsylvania and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted. Section 4.01 of the Disclosure Schedules sets forth each jurisdiction in which Seller is licensed or qualified to do business, and Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary.

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**Section 4.02 Authority of Seller Parties.** Seller has full corporate power and authority to enter into this Agreement and the Ancillary Documents to which Seller is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any Ancillary Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by each Seller Party, and (assuming due authorization, execution and delivery by Buyer) this Agreement constitutes a legal, valid and binding obligation of Seller enforceable against such Seller Party in accordance with its terms. When each Ancillary Document to which Seller or Shareholder is or will be a party has been duly executed and delivered by Seller or Shareholder (assuming due authorization, execution and delivery by each other party thereto), such Ancillary Document will constitute a legal and binding obligation of such Seller Party enforceable against it in accordance with its terms. Shareholder has full legal capacity to enter into this Agreement and the Ancillary Documents to which Shareholder is a party, to carry out his obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby.

**Section 4.03 No Conflicts; Consents.** The execution, delivery and performance by Seller of this Agreement and the Ancillary Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the articles of incorporation, by-laws or other organizational documents of Seller; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller Parties, the Business or the Purchased Assets; (c) except as set forth in Section 4.03 of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract or Permit to which Seller Party is a party or by which Seller Party or the Business is bound or to which any of the Purchased Assets are subject (including any Assigned Contract); or (d) result in the creation or imposition of any Encumbrance on the Purchased Assets. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery of this Agreement or any of the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby.

**Section 4.04 Financial Statements.** Complete copies of the reviewed financial statements consisting of the balance sheet of the Business as at December 31<sup>st</sup> in each of the years 2021 and 2022 and the related statements of income and retained earnings, stockholders' equity and cash flow for the years then ended ("Reviewed Financial Statements"), and unaudited financial statements consisting of the balance sheet of the Business as of March 31, 2023 and the related statements of income and retained earnings, stockholders' equity and cash flow for the three (3) month period then ended (the "Interim Financial Statements" and together with the Reviewed Financial Statements, the "Financial Statements") are included in Section 4.04 of the Disclosure Schedules. The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved, subject, in the case of the Interim Financial Statements, to (a) a GAAP exception with respect to the accounting for the storage of inventory on job sites, (b) other normal and recurring year-end adjustments (the effect of which will not be materially adverse) and (c) the absence of notes (that, if presented, would not differ materially from those presented in the Reviewed Financial Statements). The Financial Statements are based on the Books and Records of the Business, and fairly present the financial condition of the Business as of the respective dates they were prepared and the results of the operations of the Business for the periods indicated. The balance sheet of the Business as of March 31, 2023 is referred to herein as the "Balance Sheet" and the date thereof as the "Balance Sheet Date".

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**Section 4.05 Undisclosed Liabilities.** Seller has no Liabilities with respect to the Business, except (a) those which are adequately reflected or reserved against in the Balance

Sheet as of the Balance Sheet Date, and (b) those which have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date and which are not, individually or in the aggregate, material in amount.

**Section 4.06 Absence of Certain Changes, Events and Conditions.** Since the Balance Sheet Date, and other than in the ordinary course of business consistent with past practice, there has not been any change, event, condition, or development that is, or could reasonably be expected to have a Material Adverse Effect.

**Section 4.07 Assigned Contracts; Subcontracted Contracts.** Each Assigned Contract and Subcontracted Contract is (or will be at the Closing) valid and binding on the respective party thereto in accordance with its terms and is in full force and effect. Neither the Seller nor any other party to such Assigned Contract or Subcontracted Contract is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Assigned Contract or Subcontracted Contract. No event or circumstance has occurred that would constitute an event of default under any Assigned Contract or Subcontracted Contract, or result in a termination thereof. Complete and correct copies of each Assigned Contract and Subcontracted Contract (including all modifications, amendments, and supplements thereto and waivers thereunder) have been made available to Buyer. There are no disputes pending or threatened under any Assigned Contract or Subcontracted Contract. No party to any Assigned Contract or Subcontracted Contract has prepaid for any services or products to be delivered under such Assigned Contract or Subcontracted Contract.

**Section 4.08 Title to Purchased Assets.** Seller has good and valid title to, or a valid leasehold interest in, all of the Purchased Assets. All such Purchased Assets (including leasehold interests) are free and clear of Encumbrances except as set forth on Section 4.08 of the Disclosure Schedules.

**Section 4.09 Condition and Sufficiency of Assets.** Except as set forth on Section 4.09 of the Disclosure Schedules, the buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property included in the Purchased Assets are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put, and none of such buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Purchased Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business.

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#### **Section 4.10 Real Property.**

(a) There is no real property owned by Seller and used in or necessary for the conduct of the Business as currently conducted. The Leased Real Property is the only real property leased by Seller that is necessary for the conduct of the Business as currently conducted, and a true and complete copy of the Lease Agreement has been delivered to Buyer. With respect to the Lease Agreement: (i) such Lease Agreement is valid, binding, enforceable and in full force and effect, and Seller enjoys peaceful and undisturbed possession of the Leased Real Property; (ii) Seller is not in breach or default under such Lease Agreement, and no event has occurred or circumstance exists which, with the delivery of notice, passage of time or both, would constitute such a breach or default, and Seller has paid all rent due and payable under such Lease; (iii) Seller has not received nor given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by Seller under the Lease Agreement and, to the Knowledge of Seller, no other party is in default thereof, and no party to any Lease has exercised any termination rights with respect thereto; (iv) Seller has not subleased, assigned or otherwise granted to any Person the right to use or occupy such Leased Real Property or any portion thereof; and (v) Seller has not pledged, mortgaged or otherwise granted an Encumbrance on its leasehold interest in the Leased Real Property.

(b) Seller has not received any written notice of (i) violations of building codes and/or zoning ordinances or other governmental or regulatory Laws affecting the Leased Real Property, (ii) existing, pending or threatened condemnation proceedings affecting the Leased Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings, or similar matters which could reasonably be expected to adversely affect the ability to operate the Leased Real Property as currently operated. Neither the whole nor any material portion of any Leased Real Property has been damaged or destroyed by fire or other casualty.

(c) The Leased Real Property is sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitutes all of the real property necessary to conduct the Business as currently conducted.

#### **Section 4.11 Intellectual Property.**

(a) There is no registered Intellectual Property owned by Seller or used in connection with the Business. Section 4.11(a) of the Disclosure Schedules contains a correct, current and complete list of: (i) all unregistered Trademarks included in the Intellectual Property Assets; (ii) all proprietary Software included in the Intellectual Property Assets; and (iii) all other Intellectual Property Assets that are used in the conduct of the Business as currently conducted.

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(b) Seller is the sole and exclusive legal and beneficial owner of all right, title and interest in and to the Intellectual Property Assets, and has the valid and enforceable right to use all other Intellectual Property used or held for use in or necessary for the conduct of the Business as currently conducted, in each case, free and clear of Encumbrances. The Intellectual Property Assets and Licensed Intellectual Property are all of the Intellectual Property necessary to operate the Business as presently conducted or proposed to be conducted. Seller has entered into binding, valid and enforceable written Contracts with each current and former employee and independent contractor who is or was involved in or has contributed to the invention, creation, or development of any Intellectual Property during the course of employment or engagement with Seller whereby such employee or independent contractor: (i) acknowledges Seller's exclusive ownership of all Intellectual Property Assets invented, created or developed by such employee or independent contractor within the scope of his or her employment or engagement with Seller; and (ii) grants to Seller a present, irrevocable assignment of any ownership interest such employee or independent contractor may have in or to such Intellectual Property. Seller has provided Buyer with true and complete copies of all such Contracts.

(c) Neither the execution, delivery, or performance of this Agreement, nor the consummation of the transactions contemplated hereunder, will result in the loss or impairment of or payment of any additional amounts with respect to, or require the consent of any other Person in respect of, the Buyer's right to own or use any Intellectual Property Assets or Licensed Intellectual Property in the conduct of the Business as currently conducted and as proposed to be conducted. Immediately following the Closing, all Intellectual Property Assets will be owned or available for use by Buyer on substantially the same terms as they were owned or available for use by Seller immediately prior to the Closing.

(d) All of the Intellectual Property Assets and Licensed Intellectual Property are valid and enforceable. Seller has taken all necessary steps to maintain and enforce the Intellectual Property Assets and to preserve the confidentiality of all Trade Secrets included in the Intellectual Property Assets and Licensed Intellectual Property, including by requiring all Persons having access thereto to execute binding, written non-disclosure agreements.

(e) The conduct of the Business as currently and formerly conducted and as proposed to be conducted, including the use of the Intellectual Property Assets and Licensed Intellectual Property in connection therewith, and the products, processes, and services of the Business have not infringed, misappropriated, or otherwise violated and will not infringe, misappropriate, or otherwise violate the Intellectual Property or other rights of any Person. No Person has infringed, misappropriated, or otherwise violated any Intellectual Property Assets or Licensed Intellectual Property.

(f) There are no Actions (including any opposition, cancellation, revocation, review, or other proceeding), whether settled, pending or threatened (including in the form of offers to obtain a license): (i) alleging any infringement, misappropriation, or other violation of the Intellectual Property of any Person by Seller in the conduct of the Business; (ii) challenging the validity, enforceability, registrability, patentability, or ownership of any Intellectual Property Assets or Licensed Intellectual Property; or (iii) by Seller or any other Person alleging any infringement, misappropriation, or other violation by any Person of any Intellectual Property Assets. Seller is not aware of any facts or circumstances that could reasonably be expected to give rise to any such Action. Seller is not subject to any outstanding or prospective Governmental Order (including any motion or petition therefor) that does or could reasonably be expected to restrict or impair the use of any Intellectual Property Assets or Licensed Intellectual Property.

**Section 4.12 Inventory.** All Inventory, whether or not reflected in the Balance Sheet, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, defective or slow-moving items that have been written off or written down to fair market value or for which adequate reserves have been established. All Inventory is owned by Seller free and clear of all Encumbrances, and no Inventory is held on a consignment basis. The quantities of each item of Inventory (whether raw materials, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of Seller, and consistent with historical levels. Within the twelve (12) months period prior to Closing, none of the Seller Parties have taken any action outside the ordinary course of business with respect to the Inventory of the Seller, or with respect to the engaging its customers (or failing to engage with customers) on new Projects, including any actions which would cause the quantities of Inventory to deviate from historical levels.

**Section 4.13 Customers and Suppliers.**

(a) Section 4.13(a) of the Disclosure Schedules contains a true, correct and complete list of (i) the top six (6) customers of the Seller's fabrication division of the Business and the top four (4) customers of the Seller's contracting division of the Business, in each case by Dollar volume during each of the two (2) preceding calendar years ending December 31, 2021 and December 31, 2022 (collectively, the "**Top Customers**") and identifying the total revenues attributable to each such Top Customer during such period. None of the Top Customers has notified the Seller in writing that it has cancelled, terminated or modified its relationship with the Seller or that it intends to cancel, terminate or modify its relationship with the Seller or, to the extent such Top Customer is a recurring customer of Seller or has an active project with Seller, materially decrease its business with the Seller. To the Knowledge of the Seller, following consummation of the Transaction, none of the Top Customers, to the extent such Top Customer is a recurring customer of Seller, is likely to cease, modify or materially decrease its business or otherwise modify its relationship with the Seller.

(b) Section 4.13(b) of the Disclosure Schedules contains a true, correct and complete list of the top nine (9) suppliers of the Seller's Business, by Dollar volume during each of the two (2) preceding calendar years ending December 31, 2021 and December 31, 2022 (collectively, the "**Top Suppliers**") and identifying the total payments attributable to each such Top Supplier during such period. None of the Top Suppliers has notified the Seller in writing that it has cancelled, terminated or modified its relationship with the Seller or that it intends to cancel, terminate or modify its relationship with the Seller, to the extent such Top Supplier is a recurring supplier of Seller or has an active project with the Seller, materially decrease its business with the Seller. To the Knowledge of the Seller, following consummation of the Transaction, none of the Top Suppliers, to the extent such Top Supplier is a recurring supplier of the Seller, is likely to cease modify or materially decrease its business or otherwise modify its relationship with the Seller.

**Section 4.14 Insurance.** Section 4.14 of the Disclosure Schedules sets forth (a) a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, fiduciary liability and other casualty and property insurance maintained by Seller or its Affiliates and relating to the Business, or the Purchased Assets (collectively, the "**Insurance Policies**"); and (b) with respect to the Business, or the Purchased Assets, a list of all pending claims and the claims history for Seller for the past three (3) years. There are no claims related to the Business, or the Purchased Assets pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. Neither Seller nor any of its Affiliates has received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have either been paid or, if not yet due, accrued. All such Insurance Policies (a) are in full force and effect and enforceable in accordance with their terms; (b) are provided by carriers who are financially solvent; and (c) have not been subject to any lapse in coverage. None of Seller or any of its Affiliates is in default under, or has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are of the type and in the amounts customarily carried by Persons conducting a business similar to the Business and are sufficient for compliance with all applicable Laws and Contracts to which Seller is a party or by which it is bound. True and complete copies of the Insurance Policies have been made available to Buyer.

**Section 4.15 Legal Proceedings; Governmental Orders.** There are no Actions pending or, to Seller's Knowledge, threatened against or by Seller (a) relating to or affecting the Business or the Purchased Assets; or (b) that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action. There are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Business.

**Section 4.16 Compliance With Laws; Permits.** Seller has complied, in all material respects, and is now complying, in all material respects, with all Laws applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets. All Permits required for Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets have been obtained by Seller and are valid and in full force and effect. All fees and charges with respect to such Permits as of the date hereof have been paid in full. Section 4.16 of the Disclosure Schedules lists all current Permits issued to Seller which are related to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets, including the names of the Permits and their respective dates of issuance and expiration. No event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit set forth in Section 4.16 of the Disclosure Schedules.

**Section 4.17 Employee Benefit Matters.**

(a) Section 4.17(a) of the Disclosure Schedules contains a true and complete list of each pension, benefit, retirement, compensation, employment, consulting, profit-sharing, deferred compensation, incentive, bonus, performance award, phantom equity, stock or stock-based, change in control, retention, severance, vacation, paid time off (PTO), medical, vision, dental, disability, welfare, Code Section 125 cafeteria, fringe-benefit and other similar agreement, plan, policy, program or arrangement (and any amendments thereto), in each case whether or not reduced to writing and whether funded or unfunded, including each "employee benefit plan" within the meaning of Section 3(3) of ERISA, whether or not tax-qualified and whether or not subject to ERISA, which is or has been maintained, sponsored, contributed to, or required to be contributed to by Seller for the benefit of any current or former employee, officer, director, retiree, independent contractor or consultant of the Business or any spouse or dependent of such individual, or under which Seller or any of its ERISA Affiliates has or may have any Liability, or with respect to which Buyer or any of its Affiliates would reasonably be expected to have any Liability, contingent or otherwise (as listed on Section 4.17(a) of the Disclosure Schedules, each, a "**Benefit Plan**").

(b) With respect to each Benefit Plan, Seller has made available to Buyer accurate, current and complete copies of each of the following: (i) where the

Benefit Plan has been reduced to writing, the plan document together with all amendments; (ii) where the Benefit Plan has not been reduced to writing, a written summary of all material plan terms; (iii) where applicable, copies of any trust agreements or other funding arrangements, custodial agreements, insurance policies and contracts, administration agreements and similar agreements, and investment management or investment advisory agreements, now in effect or required in the future as a result of the transactions contemplated by this Agreement or otherwise; (iv) copies of any summary plan descriptions, summaries of material modifications, summaries of benefits and coverage, COBRA communications, employee handbooks and any other written communications (or a description of any oral communications) relating to any Benefit Plan; (v) in the case of any Benefit Plan that is intended to be qualified under Section 401(a) of the Code, a copy of the most recent determination, opinion or advisory letter from the Internal Revenue Service and any legal opinions issued thereafter with respect to such Benefit Plan's continued qualification; (vi) in the case of any Benefit Plan for which a Form 5500 must be filed, a copy of the two most recently filed Forms 5500, with all corresponding schedules and financial statements attached; (vii) actuarial valuations and reports related to any Benefit Plans with respect to the most recently completed plan years; (viii) the most recent nondiscrimination tests performed under the Code; and (ix) copies of material notices, letters or other correspondence from the Internal Revenue Service, Department of Labor, Department of Health and Human Services, Pension Benefit Guaranty Corporation or other Governmental Authority relating to the Benefit Plan.

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(c) Each Benefit Plan and any related trust (other than any multiemployer plan within the meaning of Section 3(37) of ERISA (each a **Multiemployer Plan**)) has been established, administered and maintained in accordance with its terms and in compliance with all applicable Laws (including ERISA, the Code, and any applicable local Laws). Each Benefit Plan that is intended to be qualified within the meaning of Section 401(a) of the Code (a **Qualified Benefit Plan**) is so qualified and received a favorable and current determination letter from the Internal Revenue Service with respect to the most recent five year filing cycle, or with respect to a prototype or volume submitter plan, can rely on an opinion letter from the Internal Revenue Service to the prototype plan or volume submitter plan sponsor, to the effect that such Qualified Benefit Plan is so qualified and that the plan and the trust related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and nothing has occurred that could reasonably be expected to adversely affect the qualified status of any Qualified Benefit Plan. Nothing has occurred with respect to any Benefit Plan that has subjected or could reasonably be expected to subject Seller or any of its ERISA Affiliates or, with respect to any period on or after the Closing Date, Buyer or any of its Affiliates, to a penalty under Section 502 of ERISA or to tax or penalty under Sections 4975 or 4980H of the Code.

(d) No pension plan (other than a Multiemployer Plan) which is subject to minimum funding requirements, including any multiple employer plan, (each a **Single Employer Plan**) in which employees of the Business or any ERISA Affiliate participate or have participated has an "accumulated funding deficiency," whether or not waived, or is subject to a lien for unpaid contributions under Section 303(k) of ERISA or Section 430(k) of the Code. No Single Employer Plan covering employees of the Business which is a defined benefit plan has an "adjusted funding target attainment percentage," as defined in Section 436 of the Code, less than 80%. All benefits, contributions and premiums relating to each Benefit Plan have been timely paid in accordance with the terms of such Benefit Plan and all applicable Laws and accounting principles, and all benefits accrued under any unfunded Benefit Plan have been paid, accrued or otherwise adequately reserved to the extent required by, and in accordance with GAAP.

(e) Neither Seller nor any of its ERISA Affiliates has (i) incurred or reasonably expects to incur, either directly or indirectly, any material Liability under Title I or Title IV of ERISA or related provisions of the Code or applicable local Law relating to employee benefit plans; (ii) failed to timely pay premiums to the Pension Benefit Guaranty Corporation; (iii) withdrawn from any Benefit Plan; (iv) engaged in any transaction which would give rise to liability under Section 4069 or Section 4212(c) of ERISA; (v) incurred taxes under Section 4971 of the Code with respect to any Single Employer Plan; or (vi) participated in a multiple employer welfare arrangement (MEWA).

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(f) With respect to each Benefit Plan (i) no such plan is a Multiemployer Plan, and (A) all contributions required to be paid by Seller or its ERISA Affiliates have been timely paid to the applicable Multiemployer Plan, (B) neither Seller nor any ERISA Affiliate has incurred any withdrawal liability under Title IV of ERISA which remains unsatisfied, and (C) a complete withdrawal from all such Multiemployer Plans on the Closing Date would not result in any material liability to Seller and no Multiemployer Plan is in critical, endangered or seriously endangered status or has suffered a mass withdrawal; (ii) no such plan is a "multiple employer plan" within the meaning of Section 413(c) of the Code or a "multiple employer welfare arrangement" (as defined in Section 3(40) of ERISA); (iii) no Action has been initiated by the Pension Benefit Guaranty Corporation to terminate any such plan or to appoint a trustee for any such plan; and (iv) no "reportable event," as defined in Section 4043 of ERISA, with respect to which the reporting requirement has not been waived, has occurred with respect to any such plan.

(g) Other than as required under Sections 601 to 608 of ERISA or other applicable Law, no Benefit Plan or other arrangement provides post-termination or retiree health benefits to any individual for any reason.

(h) There is no pending or, to Seller's Knowledge, threatened Action relating to a Benefit Plan (other than routine claims for benefits), and no Benefit Plan has within the three (3) years prior to the date hereof been the subject of an examination or audit by a Governmental Authority or the subject of an application or filing under, or is a participant in, an amnesty, voluntary compliance, self-correction or similar program sponsored by any Governmental Authority.

(i) There has been no amendment to, announcement by Seller or any of its Affiliates relating to, or change in employee participation or coverage under, any Benefit Plan or collective bargaining agreement that would increase the annual expense of maintaining such plan above the level of the expense incurred for the most recently completed fiscal year (other than on a de minimis basis) with respect to any director, officer, employee, consultant or independent contractor of the Business, as applicable. Neither Seller nor any of its Affiliates has any commitment or obligation or has made any representations to any director, officer, employee, consultant or independent contractor of the Business, whether or not legally binding, to adopt, amend, modify or terminate any Benefit Plan or any collective bargaining agreement.

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(j) Each Benefit Plan that is subject to Section 409A of the Code has been administered in compliance with its terms and the operational and documentary requirements of Section 409A of the Code and all applicable regulatory guidance (including, notices, rulings and proposed and final regulations) thereunder. Seller does not have any obligation to gross up, indemnify or otherwise reimburse any individual for any excise taxes, interest or penalties incurred pursuant to Section 409A of the Code.

(k) Neither the execution of this Agreement nor any of the transactions contemplated by this Agreement will (either alone or upon the occurrence of any additional or subsequent events): (i) entitle any current or former director, officer, employee, independent contractor or consultant of the Business to severance pay or any other payment; (ii) accelerate the time of payment, funding or vesting, or increase the amount of compensation (including stock-based compensation) due to any such individual; (iii) increase the amount payable under or result in any other material obligation pursuant to any Benefit Plan; (iv) result in "excess parachute payments" within the meaning of Section 280G(b) of the Code; or (v) require a "gross-up" or other payment to any "disqualified individual" within the meaning of Section 280G(c) of the Code.

(a) Section 4.18(a) of the Disclosure Schedules contains a list of all persons who are employees, independent contractors or consultants of the Business as of the date hereof, including any employee who is on a leave of absence of any nature, paid or unpaid, authorized or unauthorized, and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full-time or part-time); (iii) hire or retention date; (iv) current annual base compensation rate or contract fee; (v) commission, bonus or other incentive-based compensation; and (vi) a description of the fringe benefits provided to each such individual as of the date hereof. As of the Closing Date, all compensation, including wages, commissions, bonuses, fees and other compensation, payable to all employees, independent contractors or consultants of the Business for services performed on or prior to the Closing Date will have been paid in full.

(b) Seller is and has been in compliance with all applicable Laws pertaining to employment and employment practices to the extent they relate to employees, consultants and independent contractors of the Business, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers' compensation, leaves of absence, paid sick leave and unemployment insurance. All individuals characterized and treated by Seller as consultants or independent contractors of the Business are properly treated as independent contractors under all applicable Laws. All employees of the Business classified as exempt under the Fair Labor Standards Act and state and local wage and hour laws are properly classified. There are no Actions against Seller pending, or to the Seller's Knowledge, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former applicant, employee, consultant or independent contractor of the Business, including, without limitation, any charge, investigation or claim relating to unfair labor practices, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, employee classification, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers' compensation, leaves of absence, paid sick leave, unemployment insurance or any other employment related matter arising under applicable Laws.

#### Section 4.19 Taxes.

(a) All Tax Returns required to be filed by Seller or with respect to the Business for any Pre-Closing Tax Period have been, or will be, timely filed. Such Tax Returns are, or will be, true, complete and correct, to Seller's Knowledge, in all respects and prepared in accordance with applicable law. All Taxes due and owing with respect to the Seller (whether or not shown on any Tax Return) have been, or will be, timely paid.

(b) To Seller's Knowledge, Seller has withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, shareholder or other party, and complied with all information reporting and backup withholding provisions of applicable Law.

(c) No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Seller. All deficiencies asserted, or assessments made, against or with respect to Seller as a result of any examinations by any taxing authority have been fully paid. Seller is not a party to any Action by any taxing authority. There are no pending or, to Seller's Knowledge, threatened Actions by any taxing authority. Seller has not received any notice of a claim by a taxing authority in a jurisdiction where Seller has not filed a Tax Return that the Seller is or may be subject to taxation by that jurisdiction.

(d) There are no Encumbrances for Taxes upon any of the Purchased Assets nor is any taxing authority in the process of imposing any Encumbrances for Taxes on any of the Purchased Assets (other than for current Taxes not yet due and payable). Seller is not a "foreign person" as that term is used in Treasury Regulations Section 1.1445-2. Seller is not, and has not been, a party to, or a promoter of, a "reportable transaction" within the meaning of Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011-4(b).

(e) The Shareholders do not expect any taxing authority to assess additional Taxes for any period for which Tax Returns have been filed. The Seller has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. The Seller is not a party to any Tax allocation or sharing agreement. The Seller has not (A) been a member of an affiliate group filing a consolidated federal income Tax Return and (B) has no liability for the Taxes of any Person under Regulations Section 1.1502-6 (or any similar provision of state, local, or non-U.S. law), as a transferee or successor, by contract, or otherwise. To Seller's Knowledge, the Seller will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any Tax period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date; (ii) "closing agreement," as described in Code Section 7121 (or any corresponding provision of state, local, or non-U.S. income Tax law); (iii) intercompany transaction or any excess loss account (or any corresponding or similar provision or administrative rule of federal, state, local, or non-U.S. income Tax law); (iv) installment sale or open transaction made on or prior to the Closing Date; (v) prepaid amount received on or prior to the Closing Date; or (vi) election under Code Section 108(i). The Seller has not distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Code Sections 355 or 361. The Seller is not and has not been a party to any "reportable transaction," as defined in Code Section 6707A(c)(1) and Regulations Section 1.6011-4(b). The Seller is and has always been a validly electing S corporation under Code Section 1361 since its formation date.

**Section 4.20 Accounts Receivable.** The Accounts Receivable reflected on the Balance Sheet and the Accounts Receivable arising after the Balance Sheet Date (a) have arisen from bona fide transactions entered into by Seller involving the sale of goods or the rendering of services in the ordinary course of business consistent with past practice; and (b) to Seller's Knowledge, constitute only valid, undisputed claims of Seller not subject to claims of set-off or other defenses or counterclaims other than normal cash discounts accrued in the ordinary course of business consistent with past practice.

#### Section 4.21 Environmental Matters.

(a) To the Knowledge of Seller, the operations of Seller with respect to the Business and the Purchased Assets are currently and have been in compliance with all Environmental Laws. Seller has not received from any Person, with respect to the Business or the Purchased Assets, any: (i) Environmental Notice or Environmental Claim; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date. There are no Permits, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law that are held by Seller in connection with the Business.

(b) None of the Business or the Purchased Assets is listed on, or has been proposed for listing on, the National Priorities List (or CERCLIS) under CERCLA, or any similar state list.

(c) There has been no Release of Hazardous Materials in contravention of Environmental Law with respect to the Business or the Purchased Assets, and Seller has not received an Environmental Notice that any of the Business or the Purchased Assets or real property currently or formerly owned, leased or operated by Seller in connection with the Business (including soils, groundwater, surface water, buildings and other structure located thereon) has been contaminated with any Hazardous Material which could reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Law by Seller.

(d) There are no active or abandoned aboveground or underground storage tanks owned or operated by Seller in connection with the Business or the Purchased Assets. There are no off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller and any predecessors in connection with the Business or the Purchased Assets as to which Seller may retain liability, and none of these facilities or locations has been placed or proposed for placement on the National Priorities List (or CERCLIS) under CERCLA, or any similar state list, and Seller has not received any Environmental Notice regarding potential liabilities with respect to such off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller.

(e) Seller has not retained or assumed, by contract or operation of Law, any liabilities or obligations of third parties under Environmental Law. Seller has provided or otherwise made available to Buyer: (i) any and all environmental reports, studies, audits, records, sampling data, site assessments, risk assessments, economic models and other similar documents with respect to the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller in connection with the Business, which are in the possession or control of Seller related to compliance with Environmental Laws, Environmental Claims or an Environmental Notice or the Release of Hazardous Materials; and (ii) any and all material documents concerning planned or anticipated capital expenditures required to reduce, offset, limit or otherwise control pollution and/or emissions, manage waste or otherwise ensure compliance with current or future Environmental Laws (including, without limitation, costs of remediation, pollution control equipment and operational changes).

(f) To Seller's Knowledge, as of the Closing Date, there is no condition, event or circumstance concerning the Release or regulation of Hazardous Materials that might, after the Closing Date, prevent, impede or materially increase the costs associated with the ownership, lease, operation, performance or use of the Business or the Purchased Assets as currently carried out.

**Section 4.22 Brokers.** Except as set forth on Section 4.22 of the Disclosure Schedules, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any Ancillary Document based upon arrangements made by or on behalf of Seller or Shareholder.

**Section 4.23 Full Disclosure.** No representation or warranty by a Seller Party in this Agreement and no statement contained in the Disclosure Schedules to this Agreement or any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

## ARTICLE V REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller Parties that the statements contained in this ARTICLE V are true and correct as of the date hereof.

**Section 5.01 Organization of Buyer.** Buyer is a corporation duly incorporated, validly existing and in good standing under the Laws of the Commonwealth of Pennsylvania and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it.

**Section 5.02 Authority of Buyer.** Buyer has full corporate power and authority to enter into this Agreement and the Ancillary Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any Ancillary Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller Parties) this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms. When each Ancillary Document to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by each other party thereto), such Ancillary Document will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms.

**Section 5.03 No Conflicts; Consents.** The execution, delivery and performance by Buyer of this Agreement and the Ancillary Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of formation, operating agreement, or other organizational documents of Buyer; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice or other action by any Person under any Contract to which Buyer is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Agreement or any of the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby.

**Section 5.04 Legal Proceedings; Governmental Orders.** There are no Actions pending or, to Buyer's knowledge, threatened against or by Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

**Section 5.05 Compliance With Laws.** Buyer has complied, and is now complying, with all Laws applicable to the conduct of its business as currently conducted or the ownership and use of its assets.

**Section 5.06 Brokers.** No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any Ancillary Document based upon arrangements made by or on behalf of Buyer.

## ARTICLE VI COVENANTS

**Section 6.01 Conduct of Business Prior to the Closing.** From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), Seller Parties shall (x) conduct the Business in the ordinary course of business consistent with past practice; and (y) use reasonable best efforts to maintain and preserve intact its current Business organization, operations and franchise and to preserve the rights, franchises, goodwill and relationships of its employees, customers, lenders, suppliers, regulators and others having relationships with the Business. Without limiting the foregoing, from the date hereof until the Closing Date, Seller Parties shall:

- (a) preserve and maintain all Permits required for the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets;
- (b) pay the debts, Taxes and other obligations of the Business when due;
- (c) continue to collect Accounts Receivable in a manner consistent with past practice, without discounting such Accounts Receivable;

(d) maintain the properties and assets included in the Purchased Assets in the same condition as they were on the date of this Agreement, subject to reasonable wear and tear;

(e) continue in full force and effect without modification all Insurance Policies, except as required by applicable Law;

(f) defend and protect the properties and assets included in the Purchased Assets from infringement or usurpation;

(g) perform all of its obligations under all Assigned Contracts and Subcontracted Contracts;

(h) maintain the Books and Records in accordance with past practice;

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(i) comply in all material respects with all Laws applicable to the conduct of the Business or the ownership and use of the Purchased Assets; and

(j) not take or permit any action that would cause any of the changes, events or conditions described in Section 4.06 to occur.

**Section 6.02 Access to Information.** From the date hereof until the Closing, Seller Parties shall (a) afford Buyer and its Representatives full and free access to and the right to inspect all of the Real Property, properties, assets, premises, Books and Records, Contracts and other documents and data related to the Business; (b) furnish Buyer and its Representatives with such financial, operating and other data and information related to the Business as Buyer or any of its Representatives may reasonably request; and (c) instruct the Representatives of Seller to cooperate with Buyer in its investigation of the Business. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement.

**Section 6.03 No Solicitation of Other Bids.**

(a) Seller Parties shall not, and shall not authorize or permit any of its Affiliates or any of its or their Representatives to, directly or indirectly, (i) encourage, solicit, initiate, facilitate or continue inquiries regarding an Acquisition Proposal; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. Seller shall immediately cease and cause to be terminated, and shall cause its Affiliates and all of its and their Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could lead to, an Acquisition Proposal. For purposes hereof, “**Acquisition Proposal**” means any inquiry, proposal or offer from any Person (other than Buyer or any of its Affiliates) relating to the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Purchased Assets.

(b) In addition to the other obligations under this Section 6.03, Seller shall promptly (and in any event within three (3) Business Days after receipt thereof by Seller or its Representatives) advise Buyer orally and in writing of any Acquisition Proposal, any request for information with respect to any Acquisition Proposal, or any inquiry with respect to or which could reasonably be expected to result in an Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the Person making the same.

(c) Seller agrees that the rights and remedies for noncompliance with this Section 6.03 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Buyer and that money damages would not provide an adequate remedy to Buyer.

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**Section 6.04 Notice of Certain Events.**

(a) From the date hereof until the Closing, Seller shall promptly notify Buyer in writing of:

(i) any fact, circumstance, event or action the existence, occurrence or taking of which (A) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) has resulted in, or could reasonably be expected to result in, any representation or warranty made by Seller hereunder not being true and correct or (C) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in Section 7.01 to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Actions commenced or, to Seller’s Knowledge, threatened against, relating to or involving or otherwise affecting the Business, or the Purchased Assets that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.15 or that relates to the consummation of the transactions contemplated by this Agreement.

(b) Buyer’s receipt of information pursuant to this Section 6.04 shall not operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement (including Section 8.02 and Section 9.01(b)) and shall not be deemed to amend or supplement the Disclosure Schedules.

**Section 6.05 Employees and Employee Benefits.**

(a) Commencing on the Closing Date, Seller shall terminate all employees of the Business who are actively at work on the Closing Date, and, at Buyer’s sole discretion, Buyer may offer employment, on an “at will” basis, to any or all of such employees.

(b) Seller Parties shall be solely responsible, and Buyer shall have no obligations whatsoever for, any compensation or other amounts payable to any current or former employee, officer, director, independent contractor or consultant of the Business, including, without limitation, hourly pay, commission, bonus, salary, accrued vacation, fringe, pension or profit sharing benefits or severance pay for any period relating to the service with Seller at any time on or prior to the Closing Date and Seller shall pay all such amounts to all entitled persons on or prior to the Closing Date (“**Pre-Closing Employee Obligations**”); provided, however, Seller Parties shall not be obligated to pay the portion of the Pre-Closing Employee Obligations attributable to accrued and unused vacation, paid time off, or other similar amounts that are accrued through the Closing Date and reflected in the Employee Benefit Credit (“**Accrued Employee Vacation**”), so long as the Employee Benefit Credit is credited to the Buyer at the Closing.

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(c) Seller Parties shall remain solely responsible for the satisfaction of all claims for medical, dental, life insurance, health accident or disability benefits brought by or in respect of current or former employees, officers, directors, independent contractors or consultants of the Business or the spouses, dependents or beneficiaries thereof, which claims relate to events occurring on or prior to the Closing Date. Seller also shall remain solely responsible for all worker's compensation claims of any current or former employees, officers, directors, independent contractors or consultants of the Business, which relate to events occurring on or prior to the Closing Date. Seller shall pay, or cause to be paid, all such amounts to the appropriate persons as and when due.

(d) Each employee of the Business who becomes employed by Buyer in connection with the transaction shall be given service credit for the purpose of eligibility under the group health plan and eligibility and vesting only under the defined contribution retirement plan for his or her period of service with the Seller prior to the Closing Date; *provided, however*, that (i) such credit shall be given pursuant to payroll or plan records, at the election of Buyer, in its sole and absolute discretion; and (ii) such service crediting shall be permitted and consistent with Buyer's defined contribution retirement plan.

**Section 6.06 Confidentiality.** From and after the Closing, each of Seller and each Shareholder, shall, and shall cause each of its respective Affiliates to, hold, and shall use its reasonable best efforts to cause its or their respective Representatives to hold, in confidence any and all information, whether written or oral, concerning the Business, except to the extent that such Seller or Shareholder can show that such information (a) is generally available to and known by the public through no fault of such Seller or Shareholder, any of its Affiliates or their respective Representatives; or (b) is lawfully acquired by such Seller or Shareholder, any of its Affiliates or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation. If such Seller or Shareholder or any of its respective Affiliates or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, such Seller or Shareholder shall promptly notify Buyer in writing and shall disclose only that portion of such information which such Seller or Shareholder is advised by its counsel in writing is legally required to be disclosed, *provided that* such Seller or Shareholder shall use reasonable best efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

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**Section 6.07 Non-Competition; Non-Solicitation.**

(a) For a period of five (5) years commencing on the Closing Date (the "**Restricted Period**"), neither Seller nor Shareholder, and none of them shall permit any of their respective Affiliates to, directly or indirectly, (i) engage in or assist others in engaging in the Business in the Territory; (ii) have an interest in any Person that engages directly or indirectly in the Business in the Territory in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant; or (iii) cause, induce or encourage any material actual or prospective client, customer, supplier or licensor of the Business (including any existing or former client or customer of Seller and any Person that becomes a client or customer of the Business after the Closing), or any other Person who has a material business relationship with the Business, to terminate or modify any such actual or prospective relationship. Notwithstanding the foregoing, (A) Seller or Shareholder may own, directly or indirectly, solely as an investment, securities of any Person traded on any national securities exchange if such Seller or Shareholder is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own 5% or more of any class of securities of such Person, and (B) the Seller and the Shareholder shall be permitted to provide design consulting services to clients and customers of the Business.

(b) During the Restricted Period, neither Seller nor Shareholder shall, and none of them shall permit any of their respective Affiliates to, directly or indirectly, hire or solicit any person who is offered employment by Buyer pursuant to Section 6.05(a) or is or was employed in the Business during the Restricted Period, or encourage any such employee to leave such employment or hire any such employee who has left such employment, except pursuant to a general solicitation which is not directed specifically to any such employees; *provided, that* nothing in this Section 6.07(b) shall prevent Seller, Shareholder, or any of their respective Affiliates from hiring (i) any employee whose employment has been terminated by Buyer or (ii) after 180 days from the date of termination of employment, any employee whose employment has been terminated by the employee.

(c) Each of Seller and Shareholder hereby acknowledges that a breach or threatened breach of this Section 6.07 would give rise to irreparable harm to Buyer, for which monetary damages would not be an adequate remedy, and hereby agrees that in the event of a breach or a threatened breach by Seller or Shareholder of any such obligations, Buyer shall, in addition to any and all other rights and remedies that may be available to it in respect of such breach, be entitled to equitable relief, including a temporary restraining order, an injunction, specific performance and any other relief that may be available from a court of competent jurisdiction (without any requirement to post bond).

(d) Each of Seller and each Shareholder acknowledges that the restrictions contained in this Section 6.07 are reasonable and necessary to protect the legitimate interests of Buyer and constitute a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this Section 6.07 should ever be adjudicated to exceed the time, geographic, product or service or other limitations permitted by applicable Law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service or other limitations permitted by applicable Law. The covenants contained in this Section 6.07 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

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**Section 6.08 Books and Records.**

(a) For a period of five (5) years after the Closing, Buyer shall:

(i) retain the Books and Records (including personnel files) relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of Seller; and

(ii) upon reasonable notice, afford the Seller's Representatives reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such Books and Records.

(b) In order to facilitate the resolution of any claims made by or against or incurred by Buyer after the Closing, or for any other reasonable purpose, for a period of five (5) years following the Closing, Seller shall (i) retain the books and records (including personnel files) of Seller which relate to the Business and its operations for periods prior to the Closing; and (ii) upon reasonable notice, afford the Buyer's Representatives reasonable access (including the right to make, at Buyer's expense, photocopies), during normal business hours, to all such books and records of Seller retained by Seller.

(c) Neither Buyer nor Seller shall be obligated to provide the other party with access to any books or records (including personnel files) pursuant to this Section 6.08 where such access would violate any Law.

**Section 6.09 Public Announcements.** Unless otherwise required by applicable Law, no party to this Agreement shall make any public announcements in respect of this



Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other party (which consent shall not be unreasonably withheld, conditioned or delayed), and the parties shall cooperate as to the timing and contents of any such announcement.

**Section 6.10 Transfer Taxes.** All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the Ancillary Documents (the “**Transfer Taxes**”) shall be borne and paid by Seller Parties when due. Seller Parties shall, at their own expense, timely file any Tax Return or other document with respect to such Taxes or fees (and Buyer shall cooperate with respect thereto as necessary). Notwithstanding the foregoing, all sales tax due on the transfer of titled vehicles as part of the Purchased Assets under this Agreement, shall be paid by Buyer and shall, therefore, not be included in the term Transfer Taxes as used in this Agreement.

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**Section 6.11 Release of Guaranties for Bonded Work.** Buyer will use reasonable best efforts to assist Seller and Shareholder in having all of Shareholder’s personal guaranties of Seller Liabilities relating to ordinary course business operations (including bonded jobs), and not relating to any borrowed indebtedness of the Seller, released and terminated at or after the Closing. If any such guaranty is not released, Buyer shall indemnify, hold harmless and reimburse Shareholder for any Liability arising after the Closing Date with respect to any such guaranty; provided, however, notwithstanding anything to the contrary herein, and for the avoidance of doubt, the foregoing obligation to indemnify, hold harmless and reimburse Seller and/or Shareholder shall not apply to Liabilities arising prior to the Closing that are not Assumed Liabilities.

**Section 6.12 Bulk Sales Clearance.** If requested by Buyer, Seller shall notify (“**Tax Notice**”) all of the taxing authorities in the jurisdictions that impose Taxes on Seller or where Seller has a duty to file Tax Returns of the transactions contemplated by this Agreement in the form and manner required by such taxing authorities, if the failure to make such notifications or receive any available tax clearance certificate could subject the Buyer to any Taxes of Seller. If any taxing authority asserts that Seller is liable for any Tax, Seller shall promptly pay any and all such amounts and shall provide evidence to the Buyer that such liabilities have been paid in full or otherwise satisfied.

**Section 6.13 Change of Name; Permitted Use.** On the Closing Date, or within ten (10) days of the date thereof, neither Seller Parties, nor any of their Affiliates will use the name “Heisey Mechanical” or any similar variant thereof, and the Seller Parties will take all necessary steps to permit Buyer to use this name, including filing a name change amendment with the requisite Governmental Authority or Office of the Secretary of State. Use of such names shall be exclusive to the rights of Buyer.

**Section 6.14 Closing Conditions** From the date hereof until the Closing, each party hereto shall use reasonable best efforts to take such actions as are necessary to expeditiously satisfy the closing conditions set forth in ARTICLE VII hereof.

**Section 6.15 Further Assurances.** Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the Ancillary Documents.

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## ARTICLE VII CONDITIONS TO CLOSING

**Section 7.01 Conditions to Obligations of Buyer.** The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer’s waiver, at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of Seller contained in Section 4.01, Section 4.02, Section 4.03, Section 4.21, and Section 4.22, the representations and warranties of Seller Parties contained in this Agreement, the Ancillary Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of Seller contained in Section 4.01, Section 4.02, Section 4.03, and Section 4.22 shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by it prior to or on the Closing Date.

(c) No Action shall have been commenced against Buyer or Seller, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any transaction contemplated hereby.

(d) From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

(e) Seller shall have delivered to Buyer all documents and deliveries set forth in Section 3.02(a).

(f) Seller shall have afforded Buyer the opportunity to meet with certain key employees identified by the Buyer no later than one (1) week prior to the Closing Date.

(g) Buyer shall have received proof, in form and substance reasonably satisfactory to the Buyer that the Pre-Closing Employee Obligations other than the Accrued Employee Vacation have been paid in full on or before Closing.

(h) Buyer shall have received proof, in form and substance reasonably satisfactory to the Buyer that all employees of the Seller have been terminated as of the Closing Date.

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(i) Buyer shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 7.01(a) and Section 7.01(b) have been satisfied (the “**Seller Closing Certificate**”).

**Section 7.02 Conditions to Obligations of Seller Parties.** The obligations of Seller Parties to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller Parties’ waiver, at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of Buyer contained in Section 5.01, Section 5.02, Section 5.03, and Section 5.04, the representations and warranties of Buyer contained in this Agreement, the Ancillary Documents and any certificate or other writing delivered pursuant hereto shall be true and correct

in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or material adverse effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of Buyer contained in Section 5.01, Section 5.02, Section 5.03, and Section 5.04 shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date.

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by it prior to or on the Closing Date.

(c) Buyer shall have delivered to Seller all documents and deliveries set forth in Section 3.02(b).

(d) Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in Section 7.02(a) and Section 7.02(b) have been satisfied (the “**Buyer Closing Certificate**”).

#### ARTICLE VIII INDEMNIFICATION

**Section 8.01 Survival.** Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing and shall remain in full force and effect until the date that is eighteen (18) months from the Closing Date; *provided, that* the representations and warranties in (i) Section 4.01, Section 4.02, Section 4.03, Section 4.05, and Section 4.22 (the “**Seller Fundamental Representations**”), Section 5.01, Section 5.02, Section 5.03, and Section 5.04 (“**Buyer Fundamental Representations**”) shall survive indefinitely, and (ii) Section 4.19 shall survive for the full period of all applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) plus 60 days. All covenants and agreements of the parties contained herein shall survive the Closing indefinitely or for the period explicitly specified therein. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved.

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**Section 8.02 Indemnification By Seller Parties.** Subject to the other terms and conditions of this ARTICLE VIII, from and after Closing, Seller and Shareholder, jointly and severally, shall indemnify and defend each of Buyer and its Affiliates and their respective Representatives (collectively, the “**Buyer Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller Parties contained in this Agreement, the Ancillary Documents or in any certificate or instrument delivered by or on behalf of Seller pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller Parties pursuant to this Agreement, the Ancillary Documents or any certificate or instrument delivered by or on behalf of Seller Parties pursuant to this Agreement;

(c) any Excluded Asset or any Liability of Seller or a Shareholder other than Assumed Liabilities;

(d) any Closing Indebtedness or Transaction Expense to the extent not identified and paid at Closing;

(e) any (A) Taxes of the Seller Parties for a Pre-Closing Tax Period; (B) Taxes imposed on the Seller Parties as a result of being a member of any consolidated, combined or unitary group on or prior to the Closing Date; (C) any Taxes of any Person imposed on the Seller Parties as a transferee or successor, by contract or otherwise, which Taxes relate to a transaction or event occurring prior to the Closing; and (D) all Transfer Taxes; in each case;

(f) any products (or components thereof) or services performed, provided by or on behalf of the Seller during any pre-Closing period; provided that indemnity pursuant to this subsection (f) is limited to Losses resulting from an actual determination of liability, and shall not include costs of litigation or attorneys’ fees with respect to third party claims where no actual product or services related liability is determined to exist; or

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(g) any Third-Party Claim based upon, resulting from or arising out of the business, operations, properties, assets or obligations of Seller Parties or any of its Affiliates (other than the Purchased Assets) conducted, existing or arising on or prior to the Closing Date.

**Section 8.03 Indemnification By Buyer.** Subject to the other terms and conditions of this ARTICLE VIII, from and after Closing, Buyer shall indemnify and defend each of Seller Parties and their respective Affiliates and their respective Representatives (collectively, the “**Seller Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or in any certificate or instrument delivered by or on behalf of Buyer pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement;

(c) any Assumed Liabilities; or

(d) any Accrued Employee Vacation not paid to former employees of the Seller that were employed as of immediately prior to the Closing Date.

**Section 8.04 Certain Limitations.** The indemnification provided for in Section 8.02 and Section 8.03 shall be subject to the following limitations:

(a) Seller Parties shall not be liable to the Buyer Indemnitees for indemnification under Section 8.02(a) until the aggregate amount of all Losses in respect of indemnification under Section 8.02 exceeds twenty-four thousand and 00/100 dollars (\$24,000.00) (the “**Basket**”), in which event Seller Parties shall be required to pay or be liable for all such Losses from the first dollar.

(b) Buyer shall not be liable to the Seller Indemnitees for indemnification under Section 8.03(a) until the aggregate amount of all Losses in respect of

(c) Notwithstanding the foregoing, the limitations set forth in Section 8.04(a) and Section 8.04(b) shall not apply to Losses based upon, arising out of, with respect to or by reason of any inaccuracy in or breach of any Seller Fundamental Representation or Buyer Fundamental Representation, or from Losses arising from fraud, criminal activity or willful misconduct.

(d) For purposes of this ARTICLE VIII (including for purposes of determining the existence of any inaccuracy in, or breach of, any representation or warranty and for calculating the amount of any Loss with respect thereto), any inaccuracy in or breach of any representation or warranty shall be determined without regard to any materiality, Material Adverse Effect or other similar qualification contained in or otherwise applicable to such representation or warranty.

**Section 8.05 Indemnification Procedures.** The party making a claim under this ARTICLE VIII is referred to as the “**Indemnified Party**”, and the party against whom such claims are asserted under this ARTICLE VIII is referred to as the “**Indemnifying Party**”.

(a) **Third-Party Claims.** If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a “**Third-Party Claim**”) against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) calendar days after receipt of such notice of such Third-Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third-Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third-Party Claim at the Indemnifying Party’s expense and by the Indemnifying Party’s own counsel, and the Indemnified Party shall cooperate in good faith in such defense; *provided, that* if the Indemnifying Party is a Seller Party, such Indemnifying Party shall not have the right to defend or direct the defense of any such Third-Party Claim that (x) is asserted directly by or on behalf of a Person that is a supplier or customer of the Business, or (y) seeks an injunction or other equitable relief against the Indemnified Party. In the event that the Indemnifying Party assumes the defense of any Third-Party Claim, subject to Section 8.05(b), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third-Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third-Party Claim with counsel selected by it subject to the Indemnifying Party’s right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, *provided, that* if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party determines counsel is required. If the Indemnifying Party elects not to compromise or defend such Third-Party Claim, fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, or fails to diligently prosecute the defense of such Third-Party Claim, the Indemnified Party may, subject to Section 8.05(b), pay, compromise, defend such Third-Party Claim and seek indemnification for any and all Losses based upon, arising from or relating to such Third-Party Claim. Seller Parties and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third-Party Claim, including making available (subject to the provisions of Section 6.06) records relating to such Third-Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third-Party Claim.

(b) **Settlement of Third-Party Claims.** Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third-Party Claim without the prior written consent of the Indemnified Party, except as provided in this Section 8.05(b). If a firm offer is made to settle a Third-Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third-Party Claim and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within ten (10) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third-Party Claim and in such event, the maximum liability of the Indemnifying Party as to such Third-Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third-Party Claim, the Indemnifying Party may settle the Third-Party Claim upon the terms set forth in such firm offer to settle such Third-Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 8.05(a), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) **Direct Claims.** Any Action by an Indemnified Party on account of a Loss which does not result from a Third-Party Claim (a “**Direct Claim**”) shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party’s investigation by giving such information and assistance (including access to the Indemnified Party’s premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such thirty (30) day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

**Section 8.06 Payments; Rights of Setoff; Indemnification Escrow Fund; Holdback under Note.**

(a) Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this ARTICLE VIII, the Indemnifying Party shall satisfy its obligations within fifteen (15) days of such adjudication by wire transfer of immediately available funds. The parties hereto agree that should an Indemnifying Party not make full payment of any such obligations within such fifteen (15) day period, any amount payable shall accrue interest from and including the date of agreement of the Indemnifying Party or final, non-appealable adjudication to the date such payment has been made at a rate per annum equal to eight percent (8%). Such interest shall be calculated daily on the basis of a 365-day year and the actual number of days elapsed.

(b) A Buyer Indemnitee shall be entitled to (but shall not be required to), in its sole discretion, in addition to all other remedies they may have, recover some or all of such amount by, upon written notice to the Indemnifying Party, setting off such amount against any amounts then due and payable by the Buyer or any of its Affiliates (including the Seller): (i) under the Note, or (ii) to any Seller Party or any of their respective Affiliates under this Agreement or any Ancillary Document or any other agreement with such Seller Party or any of their respective Affiliates. In each case, the exercise of such right to cancel or set off set forth in this Section 8.06 shall not constitute a breach of any Indemnified Party's obligations under this Agreement, any Ancillary Document or any other agreement with such Seller Party, and the exercise or failure to exercise such right to cancel or set off shall not constitute an election of remedies or limit any Buyer Indemnified Party in any manner in the enforcement of any other remedies that may be available to such Indemnified Party.

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(c) Notwithstanding anything to the contrary herein, and solely in connection with a Loss of a Seller or Shareholder arising out of Section 8.03(b) that resulted from either: (i) services performed by the Buyer under the Subcontracted Contracts, but only to the extent that the underlying Liabilities associated with such Loss arose from services conducted and/or performed by the Buyer subsequent to the Closing, or (ii) the Buyer's obligations under Section 6.11 of this Agreement, once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this ARTICLE VIII, a Seller Indemnitee shall be entitled to recover some or all of such amount from the Indemnification Escrow Fund pursuant to the terms of the Indemnification Escrow Agreement until the entire Indemnification Escrow Fund has been depleted, by providing written notice to the Buyer. Upon receipt of such written notice, Buyer and Seller Parties shall deliver joint written instructions to the Indemnification Escrow Agent to release the portion of the Indemnification Escrow Fund to Seller Parties in an amount equal to the lesser of: (x) the amount of such Loss, or (y) the total amount held in the Indemnification Escrow Fund, in accordance with payment instructions provided by the Seller Parties. The Indemnification Escrow Fund shall terminate on the earlier of: (i) the date that is eighteen (18) months after the Closing Date, or (ii) the completion of the last Subcontracted Contract, in each case subject to any pending claims made under this Section 8.03(c) and to the terms set forth in the Indemnification Escrow Agreement. Upon the termination of the Indemnification Escrow Fund pursuant to the terms hereof and the Indemnification Escrow Agreement, the Buyer and Seller Parties shall instruct the Indemnification Escrow Agent to pay any amounts remaining in the Indemnification Escrow Fund to the Buyer, to be distributed in accordance with instructions received from the Buyer.

(d) In the event that any claim shall have been properly asserted by Buyer in accordance with this Agreement on or prior to the maturity date of the Note, and remains pending on the maturity date of the Note (any such claim, a "Pending Claim"), (i) the amounts payable to the Seller under the Note on the maturity date of the Note shall be the principal and interest then outstanding, minus up to the aggregate amount of such Pending Claim (the amount of such Pending Claim, the "Withheld Amount"), (ii) upon receipt of such payment, the Note shall terminate and be of no further force or effect, and (iii) the Withheld Amount shall be held back by the Buyer, only to be released by the Buyer in accordance herewith, promptly upon final resolution of such Pending Claim in accordance with Section 8.06(a) of this Agreement ("Pending Claim Resolution"). If the Pending Claim Resolution is determined in favor of the Buyer and the amount of the corresponding Loss is equal to or in excess of the Pending Claim, in addition to such other remedies granted hereunder, the Buyer shall retain the Withheld Amount in full. If the Pending Claim Resolution is determined only in part in favor of the Buyer and the amount of the corresponding Loss is less than the amount of the Pending Claim, in addition to such other remedies granted hereunder, the Buyer shall retain such portion of the Withheld Amount equal to the Loss, and shall promptly pay to the Seller the portion of the Withheld Amount in excess of the Loss, in each case apportioning to Buyer and Seller the pro-rated portion of any accrued interest determined in accordance with this Article VIII. If the Pending Claim Resolution is determined in favor of the Seller, the Buyer shall promptly pay to the Seller the Withheld Amount in full, together with any interest accrued thereon in accordance with this Article VIII.

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**Section 8.07 Tax Treatment of Indemnification Payments.** All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

## ARTICLE IX TERMINATION

**Section 9.01 Termination.** This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Seller Parties and Buyer;

(b) by Buyer by written notice to Seller if:

(i) Buyer is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by either of the Seller Parties pursuant to this Agreement that would give rise to the failure of any of the conditions specified in ARTICLE VII and such breach, inaccuracy or failure has not been cured by Seller Parties within thirty (30) days of Seller's receipt of written notice of such breach from Buyer; or

(ii) any of the conditions set forth in Section 7.01 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by July 15, 2023 (the "Outside Date"), unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(c) by Seller by written notice to Buyer if:

(i) Neither of the Seller Parties are then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in ARTICLE VII and such breach, inaccuracy or failure has not been cured by Buyer within thirty (30) days of Buyer's receipt of written notice of such breach from Seller; or

(ii) any of the conditions set forth in Section 7.02 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by the Outside Date, unless such failure shall be due to the failure of either of the Seller Parties to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

(d) by Buyer or Seller Parties in the event that (i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited or (ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

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**Section 9.02 Effect of Termination.**

(a) In the event of the valid termination of this Agreement pursuant to Section 9.01(a) or 9.01(d), this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except as set forth in Section 9.02(d). In the event of the termination of this Agreement pursuant to Section

9.01(a) or Section 9.01(d), the Deposit shall be returned immediately to the Buyer, and Buyer and Seller Parties shall immediately execute and deliver a joint instruction directing the Escrow Agent to deliver the Deposit to the Buyer.

(b) In the event of the valid termination of this Agreement pursuant to Section 9.01(b), this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except as set forth in Section 9.02(d). In the event of the termination of this Agreement pursuant to Section 9.01(b), the Deposit shall be returned immediately to the Buyer, and Buyer and Seller Parties shall immediately execute and deliver a joint instruction directing the Escrow Agent to deliver the Deposit to the Buyer.

(c) In the event of the valid termination of this Agreement pursuant to Section 9.01(c), this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except as set forth in Section 9.02(d) and this Section 9.02(c). In the event of the termination of this Agreement pursuant to Section 9.01(c), the Seller shall be entitled to immediate release of the Deposit as liquidated damages as its sole and exclusive remedy, and Seller Parties and Buyer shall immediately execute and deliver a joint instruction directing the Escrow Agent to deliver the Deposit to the Seller.

(d) Notwithstanding the foregoing, in the event of the termination of this Agreement under this Article, (i) a party may still be liable to the extent provided under this ARTICLE IX, and under Section 6.06 and ARTICLE X hereof, and (ii) nothing herein shall relieve any party hereto from liability for any willful breach of any provision hereof.

## ARTICLE X MISCELLANEOUS

**Section 10.01 Expenses.** Except as otherwise expressly provided herein, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have.

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**Section 10.02 Notices.** All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third (3<sup>rd</sup>) day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02):

If to Seller or Shareholders:  
Andreas Heisey  
1237 Water Street  
Wrightsville, PA 17368  
E-mail: andreasheisey@gmail.com

with a copy to:  
Blakinger Thomas,  
PC 28 Penn Square  
Lancaster, PA 17603  
E-mail: dab@blakingerthomas.com  
Attention: Dan A. Blakinger, Esquire

If to Buyer:  
Advanced Industrial Services, Inc. c/o Centrex, Inc.  
276 Greenpoint Ave, Ste 209  
Brooklyn, NY 11222  
E-mail: sgovil@centrex.com  
Attention: Saagar Govil, CEO

with a copy to:  
Woods Oviatt Gilman LLP  
1900 Bausch & Lomb Place Rochester, New York 14604  
E-mail: ggribben@woodsoviatt.com  
Attention: Gregory W. Gribben, Esq.

**Section 10.03 Interpretation.** For purposes of this Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

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The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

**Section 10.04 Headings.** The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

**Section 10.05 Severability.** If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Except as provided in Section 6.07(d), upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

**Section 10.06 Entire Agreement.** This Agreement and the Ancillary Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject

matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the Ancillary Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

**Section 10.07 Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

**Section 10.08 No Third-Party Beneficiaries.** Except as provided in ARTICLE VIII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

**Section 10.09 Amendment and Modification; Waiver.** This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

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**Section 10.10 Governing Law; Waiver of Jury Trial.**

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania without giving effect to any choice or conflict of law provision or rule (whether of the Commonwealth of Pennsylvania or any other jurisdiction).

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE ANCILLARY DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 10.10(b).

**Section 10.11 Specific Performance.** The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

**Section 10.12 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

**SELLER:**

HEISEY MECHANICAL, LTD.

By /s/Andreas Heisey  
Andreas Heisey, President

**SHAREHOLDER:**

By /s/Andreas Heisey  
Andreas Heisey

**BUYER:**

ADVANCED INDUSTRIAL SERVICES, INC.

By /s/Saagar Govil  
Name: Saagar Govil  
Title: Authorized Person

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**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 dated July 21, 2020, and Form S-8 dated August 17, 2020 of Centrex, Inc. of our report dated December 4, 2023, relating to the financial statements of Heisey Mechanical, Ltd. as of and for the year ended December 31, 2022, appearing in this Current Report on Form 8-K/A dated, December 4, 2023.

Grassi & Co, CPAs, P.C.

Jericho, New York

December 4, 2023

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## HEISEY MECHANICAL, LTD.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Heisey Mechanical Ltd.  
Columbia, PA

**Opinion on the Financial Statements**

We have audited the accompanying balance sheet of Heisey Mechanical Ltd. (the "Company") as of December 31, 2022, and the related statement of operations, stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAs, P.C.

We have served as the Company's auditor since 2023.

Jericho, New York

December 4, 2023



	<u>December 31, 2022</u>
<b>CURRENT ASSETS</b>	
Cash	\$ 637,316
Accounts receivable, net of an allowance for credit losses of \$10,000	1,864,550
Prepaid expenses	143,110
Contract Assets	2,235,965
Inventory	297,595
Total current assets	<u>5,178,536</u>
<b>OTHER ASSETS</b>	
Right of use assets	<u>433,824</u>
<b>Total assets</b>	<b>\$ <u>5,612,360</u></b>
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 667,856
Current maturities of notes payable	29,276
Current maturities of lease liabilities	140,191
Contract liabilities	1,109,010
Payroll taxes accrued and withheld	23,554
Accrued expenses	1,034,069
Total current liabilities	<u>3,003,956</u>
<b>LONG-TERM LIABILITIES</b>	
Notes payable, less current maturities	-
Lease liabilities, less current maturities	293,633
Total long-term liabilities	<u>293,633</u>
<b>Total liabilities</b>	<u>3,297,589</u>
<b>STOCKHOLDER'S EQUITY</b>	
Common stock, \$1 par value, 100,000 shares authorized, 10,200 shares issued and outstanding	10,200
Retained earnings	<u>2,304,571</u>
<b>Total stockholder's equity</b>	<u>2,314,771</u>
<b>Total liabilities and stockholder's equity</b>	<b>\$ <u>5,612,360</u></b>

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

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**HEISEY MECHANICAL, LTD.  
STATEMENT OF OPERATIONS**

	<u>For the year ended December 31, 2022</u>
Revenues	\$ 8,466,782
Cost of revenues	<u>7,100,787</u>
Gross profit	1,365,995
General and administrative	<u>1,248,971</u>
Income from operations	<u>117,024</u>
Other income/(expense)	
Interest income	473
Interest expense	(3,821)
Other income	1,608
Total other income (expense)	<u>(1,740)</u>
Net income before income taxes	115,284
Income tax benefit/(expense)	<u>-</u>
<b>Net Income</b>	<b>\$ <u>115,284</u></b>

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

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**HEISEY MECHANICAL, LTD.  
STATEMENT OF STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
<b>Balance at December 31, 2021</b>	10,200	-	2,189,287	2,199,487
Net income	-	-	115,284	115,284
<b>Balance at December 31, 2022</b>	<u>\$ 10,200</u>	<u>\$ -</u>	<u>\$ 2,304,571</u>	<u>\$ 2,314,771</u>

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

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**HEISEY MECHANICAL, LTD.  
STATEMENT OF CASH FLOWS**

	<b>For the year ended December 31, 2022</b>
<b>Operating Activities</b>	
Net income	\$ 115,284
Adjustments to reconcile net income to net cash provided by operating activities:	
Noncash lease expense	124,803
(Increase) decrease in assets:	
Accounts receivable	(257,699)
Prepaid expenses	(5,773)
Contract Assets	614,903
Inventory	31,463
Increase (decrease) in liabilities:	
Lease liabilities	(124,803)
Accounts payable	(75,391)
Contract liabilities	170,370
Accrued expenses and other current liabilities	19,905
<b>Net cash provided by operating activities</b>	<u>613,062</u>
<b>Investing activities</b>	
Purchases of property and equipment	-
Proceeds from sale of property and equipment	-
<b>Net cash used by investing activities</b>	<u>-</u>
<b>Financing activities</b>	
Principal payments of notes payable	(87,939)
Payment of accrued dividends	(710,000)
<b>Net cash used by financing activities</b>	<u>(797,939)</u>
Net decrease in cash	(184,877)
Cash at beginning of year	822,193
<b>Cash at end of year</b>	<u>\$ 637,316</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>	
Interest paid	\$ 3,821
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>	
Right-of-use assets acquired under operating lease	\$ 558,627

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

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**HEISEY MECHANICAL, LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE A - NATURE OF OPERATIONS**

The Company is a service contractor/fabricator that specializes in customized metal fabrication in the industrial market. The Company performs specialty projects for commercial and governmental entities in the food, chemical, manufacturing, water treatment, and wastewater treatment industries. Their manufacturing strengths are in the forming and welding of stainless steel, carbon steel, and aluminum. The Company is located in Columbia, Pennsylvania and provide services for customers primarily within 100 miles of the corporate office.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Accounts Receivable

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance, and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

## Revenue and Cost Recognition

### *Contracts*

The Company's revenue is derived from contracts with customers. These contracts fall into two categories, "Fixed Price" and "Time and Material Price" contracts. The Company determines the appropriate accounting treatment for each contract at its inception. Generally, contracts have a period from six months to two years.

The Company accounts for a contract when: (i) it has approval and commitment from both parties, (ii) the rights of the parties are identified, (iii) payment terms are identified, (iv) the contract has commercial substance, and (v) collectability of consideration is probable. The Company considers the start of a project to be when the above criteria have been met and it has written authorization from the customer to proceed.

### *Fixed price contracts*

The Company's revenue from fixed price contracts is recognized on the percentage-of-completion method, measured by the percentage of costs incurred to estimated total costs for each contract. When the job is started and in process, all actual costs incurred (labor and materials) are processed and reconciled at month end. The percentage of completion and revenue earned is calculated at month end. Billings are created based on contract criteria agreed upon and reconciled to determine if any costs in excess of billing or billings in excess of costs exist. Changes in job performance, job conditions, estimated contract costs and profitability, and final contract settlements may result in revisions to costs and income. The effects of these revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments. For the year ended December 31, 2022, the Company recognized \$6,633,438 of revenue on fixed price contracts.

### *Time and material price contracts*

Revenue from time and material price contracts is recognized based on costs incurred and projected markup on costs. Revenue from these contracts will vary based on actual labor, materials and overhead costs charged to the job and the negotiated billing rates. Contracts are initiated by customers or through bids if with a municipality. Any materials used and time spent within the shop on the job is assigned to the appropriate job and reconciled monthly. Management bills the customer and records the revenue earned from contract. Depending on the contract terms, billings could be based on certain milestones stipulated in the contract. If this is the case, unbilled revenue is recorded at month end based on time and materials incurred and markup. For the year ended December 31, 2023, the Company recognized \$1,833,344 of revenue on time and material price contracts.

### *Performance Obligations*

Generally, the Company's contracts contain one performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. The Company's performance of the contracts with customers typically provides a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units), and as such, the entire contract and/or purchase order is accounted for as one performance obligation. The transaction price is allocated to the performance obligation and recognized as revenue when, or as, the performance obligation is satisfied with the continuous transfer of control to the customer.

Less commonly, a contract may be considered to have multiple performance obligations even when they are part of a single contract. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract.

The Company recognizes revenue over time for the majority of the services it performs as (i) control continuously transfers to the customer as work progresses at a project location controlled by the customer and (ii) the Company has the right to bill the customer as costs are incurred.

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**HEISEY MECHANICAL, LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

### *Variable Consideration*

The transaction price for the Company's contracts may include variable consideration, which includes changes to transaction price for approved and unapproved change orders, claims and incentives. Change orders, claims and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. The Company estimates variable consideration for a performance obligation at the probability weighted value it expects to receive (or the most probable amount it expects to incur in the case of liquidated damages, if any), utilizing estimation methods that best predict the amount of consideration to which it will be entitled (or will be incurred in the case of liquidated damages, if any). The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of its anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in transaction price (or accounted for as a reduction of the transaction price in the case of liquidated damages) are not resolved in the Company's favor, or to the extent incentives reflected in transaction price are not earned, there could be reductions in, or reversals of, previously recognized revenue.

### *Contract Assets and Liabilities*

Project contracts typically provide for a schedule of billings on percentage of completion of specific tasks inherent in the fulfillment of the Company's performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the statements of operations can and usually does differ from amounts that can be billed to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceeds cumulative billings and unbilled receivables to the customer under the contract are reflected as a current asset in the balance sheets under the caption "Contract assets." Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized are reflected as a current liability in the balance sheets under the caption "Contract liabilities." Conditional retainage represents the portion of the contract price withheld until the work is substantially complete for assurance of the Company's obligations to complete the job. Retainage for which the Company has an unconditional right

to payment that is only subject to the passage of time are classified as contract receivable. Retainage subject to conditions other than the passage of time do not meet the definition of a receivable and are therefore included in contract assets and contract liabilities, as determined on a contract-by-contract basis. Stored materials represent items purchased in advance of its use on contracts and stored on the work sight. Revenues on uninstalled materials are recognized when control is transferred to the customer. Under certain circumstances (e.g., transfer of control occurs significantly before services are provided, the cost of the material is significant), revenue on certain uninstalled third-party materials is recognized when the cost is incurred; however, profit is not recognized until the material is ultimately in the project.

The opening and closing balances of contract receivables, contract assets and contract liabilities from contracts with customers are as follows:

	Contract Receivables		Contract Assets		Contract Liabilities
Balance, January 1, 2022	\$ 1,616,251		\$ 2,005,513		\$ 93,285
Balance, December 31, 2022	\$ 1,861,425		\$ 2,235,965		\$ 1,109,010

The following is a summary of the Company's uncompleted contracts:

	Year Ended December 31, 2022
Costs incurred on uncompleted contracts	\$ 10,170,607
Estimated gross profit	2,972,766
	<u>13,143,373</u>
Applicable billings to date	(12,397,422)
	<u>\$ 745,951</u>
	December 31, 2022
Included in the accompanying balance sheet under the following captions	
<b>Contract Assets</b>	
Cost in excess	\$ 363,059
Unbilled receivable	492,611
Conditional retainage	534,940
Stored Materials	845,355
Total Contract Assets	<u>\$ 2,235,965</u>
<b>Contract Liabilities</b>	
Billings in excess	\$ 1,109,010
Total Contract Liabilities	<u>\$ 1,109,010</u>

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**HEISEY MECHANICAL, LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

For the year ended December 31, 2022, net revenue recognized from the Company's performance obligations satisfied in previous periods was not material. As of December 31, 2022, conditional retainage of 9,692 was considered long-term.

Inventory

Inventory consists of parts and supplies held for use in the ordinary course of business. Inventory is valued at the lower of cost or net realizable value, with cost determined principally on the first-in, first-out method. Net realizable value considers the total amount of money an asset might generate upon its sale, less a reasonable estimate of the costs, fees, and taxes associated with that sale. Where shipping and handling costs on inventory purchases are borne by the Company, these charges are included in inventory and charged to cost of services upon use in the Company's projects or the providing of services.

Property and Equipment

Property and equipment are carried at cost. Any self-constructed property and equipment is recorded at the total cost of the materials plus a standard cost for labor and overhead. Depreciation of property and equipment is determined using the straight-line method for financial statement purposes at rates based on the following estimated useful lives:

Office Furniture and Fixtures	3 – 10 years
Machinery and Other Equipment	5 – 10 years
Vehicles	5 years
Leasehold improvements	shorter of lease or life of the asset

Expenditures for major improvements that extend the useful lives of equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", and subsequent related updates, to revise the accounting for leases. The Company adopted this guidance effective January 1, 2022, on a modified retrospective basis.

The Company is obligated under non-cancelable operating leases for properties. The Company determines if an arrangement is a lease at inception by assessing whether a contract contains a right to control an identified asset for a period of time in exchange for consideration. Once a contract is determined to be a lease, the Company determines if a lease is an operating or financing lease. Operating leases are included in operating lease right-of-use assets and operating lease liabilities (current and long-term) commencing at January 1, 2022. For purposes of calculating operating lease liabilities, lease terms include the option to extend or terminate the lease when it is reasonably certain that the Company will exercise that option and begins when the Company has control and possession of the leased property, which may be before payments are due under the lease.

Operating right-of-use assets and operating lease liabilities are recognized based on the present value of lease payments, discounted using the Company's incremental borrowing rate, over the lease term at the commencement date. The Company has elected to apply the standard to total lease consideration (both lease and non-lease components) and therefore classifies common maintenance fees that are included in the monthly payments as lease payments within the lease agreement. The expense for the Company's leases is

**HEISEY MECHANICAL, LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

Long-Lived Assets

Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the asset in measuring whether the long-lived asset's carrying value is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset is written down to its fair value, which is estimated using discounted future cash flows. Management has concluded that no impairment adjustments were required during 2022.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code and Pennsylvania and other states' tax law to be an S corporation. In lieu of corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

Advertising

The Company expenses advertising and promotion costs as incurred. Total advertising and promotion costs amounted to \$3,396 for the year ended December 31, 2022.

Presentation of Sales Tax Collected and Remitted

Various states the Company does business in impose sales tax at varying rates on the Company's sales to non-exempt customers. The Company collects sales tax from customers and remits the entire amount to the applicable states. The Company's accounting policy is to exclude the tax collected and remitted to the states from revenue and cost of contracts.

New Accounting Pronouncement

*ASU No. 2016-13*

In June 2016 the FASB issued ASU No. 2016-13. Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which makes significant changes to the accounting for credit losses on financial assets and disclosures about them. The guidance applies to a wide variety of financial assets including trade receivables and contract assets and is effective for the Company for annual reporting periods beginning after December 15, 2022, and interim periods therein. The new guidance on the current expected credit loss ("CECL") impairment model requires an estimate of expected credit losses, measured over the contractual life of an asset, that considers forecasts of future economic conditions in addition to information about past events and current conditions. It requires entities to consider the risk of loss even if it is remote, which may result in the recognition of credit losses on assets that do not have evidence of credit deterioration. We are currently evaluating the impact of this ASU on our financial statements. The Company does not believe that the recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

**NOTE C – CHANGE IN ESTIMATE**

During the year ended December 31, 2022, the Company had an increase in estimated profit on contracts, which resulted in a current period increase in net income of approximately \$158,000. The increase would have been reported in the preceding period had the increase in estimated profit been known at that time. Revisions in estimated profits are made in the period in which the circumstances requiring revisions become known.

**NOTE D – ACCOUNTS RECEIVABLE**

Accounts receivables, net consist of the following:

	<b>December 31, 2022</b>
Accounts receivable	\$ 1,871,425
Employee advances	3,125
Allowance for credit losses	(10,000)
	\$ 1,864,550

Accounts receivable include amounts due for services rendered.

Employee advances are amounts advanced to employees to be paid back at a later date through agreed payroll deduction.

Allowance for credit losses includes estimated losses resulting from the inability of our customers to make the required payments.

**NOTE E – INVENTORY.**

Inventory represents raw materials stored at the Company's facility for use in current or future projects.

The Company does not have any allowance for obsolete inventory as of the balance sheet date.

**HEISEY MECHANICAL, LTD.  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE F – ACCRUED EXPENSES**

Accrued expenses consist primarily of accrued dividends of \$993,500 due to the owner. The Company is an S-Corp and at year-end and profits are distributed to the owners

annually.

#### NOTE G – LEASES

The Company entered into a contractual arrangement for the right to use facilities owned by the former owner of the Company. The lease term was four years for the facilities. The lease agreements do not contain any material residual value guarantees or restrictive covenants.

Operating lease liabilities were \$433,824 as of December 31, 2022, with the current portion of \$140,191 reported on the balance sheet as “Current maturities of lease liabilities” as of December 31, 2022.

	December 31, 2022
Lease liabilities - current portion	
Operating leases	140,191
	<u>\$ 140,191</u>
Lease liabilities - net of current portion	
Operating leases	293,633
	<u>\$ 293,633</u>

A reconciliation of undiscounted cash flows to operating lease liabilities recognized in the balance sheet at December 31, 2022, is set forth below:

Years ending December 31,	Operating Leases
2023	\$ 151,200
2024	151,200
2025	151,200
Undiscounted lease payments	453,600
Amount representing interest	(19,776)
Discounted lease payments	<u>\$ 433,824</u>

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**HEISEY MECHANICAL, LTD.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

Additional disclosures of lease data are set forth below:

	For the year ended December 31, 2022
Lease costs:	
Operating lease costs	\$ 124,803
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	<u>\$ 151,200</u>
Weighted-average remaining lease term - operating leases (months)	36
Weighted-average discount rate - operating leases	3.08%

#### NOTE H – RETIREMENT PLAN

The Company provides a retirement plan for the benefit of most employees that includes a 401(k) provision which allows employees to contribute and defer taxes on a portion of their compensation. The Company has the option to match employee contributions and/or make additional profit-sharing contributions to the plan. The Company’s matching contributions, which are included in employee benefits in general and administrative expenses, totaled \$22,057 for the year ended December 31, 2022. The Company did not make any additional profit-sharing contributions to the plan for the year ended December 31, 2022.

#### NOTE I - DEMAND NOTES PAYABLE - BANK

The Company has entered into an agreement with a bank whereby it may borrow \$1,000,000 on a line of credit. The Company had \$0 outstanding balances on this line of credit as of December 31, 2022. Interest is payable at the daily Bloomberg Short-Term Bank Yield (BSBY) rate plus 3.00%. The line of credit is part of a money management program and includes an overdraft protection plan. Funds are available, through the line of credit, to cover cash payments and any funds drawn will reduce the amount available on the line of credit. The overdraft balance, which is included in the line of credit outstanding balance, was \$0 as of December 31, 2022. The line of credit is collateralized by substantially all of the Company’s assets. Additionally, the line of credit agreement includes various general and financial covenants.

The Company has entered into an agreement with a bank whereby it may borrow \$250,000 on an equipment revolving line of credit. Interest on the line of credit is payable at the daily BSBY rate plus 3.00% on any outstanding balance. Advances on the line of credit are converted to long-term debt with a maximum term of five years and a fixed rate determined at the time of conversion. The Company had no outstanding balance on the line of credit as of December 31, 2022; however, the availability on the line is reduced by financing of equipment purchases as described in Note I. The availability on the equipment purchase line of credit is \$220,724 as of December 31, 2022. The line of credit is collateralized by all Company assets and are subject to various financial covenants.

#### NOTE J - LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2022

	December 31, 2022
Equipment Loan - Installment note payable to a bank in monthly installments of \$4,253, including interest at 5.0%; through July 2023; collateralized by equipment: This note is associated with an equipment line of credit (See Note I)	29,276
Less: Current Portion of Long-Term Debt	(29,276)
	<u>\$ -</u>

Aggregate maturities of long-term debt, assuming no change in current terms; consist of the following for future years ending December 31: 2023 - \$29,276.

#### NOTE K – BACKLOG

The Company has backlog totaling \$13,507,179 as of December 31, 2022, which includes \$9,354,302 on its contracts in process as of the balance sheet date. It also includes five contracts for \$4,152,877 that have been awarded to the Company as of the report date on which no work was performed prior to the balance sheet date. Of the \$13,507,179 in remaining performance obligations the Company expects to earn approximately 90% in the next twelve months.

#### NOTE L – CONTINGENCIES

##### Partially Self-Insured Medical Benefit

The Company partially self-insures the medical benefits for its employees. The Company is responsible for the payment of claims up to \$35,000 a year per employee and an aggregate amount of \$256,262 for the Company. A major medical policy is in place to cover claims in excess of the amounts stated above. At December 31, 2022, the Company did not have any self-insurance accruals for claims incurred but not paid. As of December 31, 2022, the Company recorded a receivable of \$28,784, relating to a refund received in the following year on its medical plan.

The measurement of these costs requires judgments about the present and expected level of cost per claim. The Company accounts for these costs by reviewing the claims outstanding and projecting the payments.

The Company believes the use of this method provides a consistent and effective way to measure this accrual. However, the use of any estimation technique is inherently sensitive given the claims involved and the length of time that there often is until the ultimate cost is known. Changes in healthcare costs and other factors can materially affect the estimates for this liability.

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**HEISEY MECHANICAL, LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

#### NOTE M - PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

As a result of the global pandemic that has previously negatively impacted the Company in 2021, the Company received its second forgivable unsecured Small Business Administration loan under the Paycheck Protection Program to help cover payroll, rent, utility, and other eligible expenses. The loan is eligible for full or partial forgiveness if the Company incurs sufficient eligible expenses during the covered period and meets certain other criteria. The loan is secured, bears interest at a rate of 1%, and has a five-year term. The loan is guaranteed by the Small Business Administration (SBA).

The Company received the loan in the amount of \$636,207 in March 2021. The covered period started in March 2021 and ended in September 2021. The Company met the criteria, submitted the loan forgiveness application to the SBA, and received full forgiveness in October 2021. PPP loans that were forgiven are subject to audit by Small Business Administration for six years.

#### NOTE N – CONCENTRATIONS AND CASH AND CREDIT RISKS

At times during the years ended December 31, 2022, the Company's cash balances may have exceeded federally insured limits.

At December 31, 2022, approximately 30% of the Company's accounts receivable were from one customer.

For the year ended December 31, 2022, approximately 19% of the Company's revenues were from one customer.

#### NOTE O – SUBSEQUENT EVENTS

The Company has evaluated subsequent events up to the date the financial statements were issued. The Company has concluded that the following subsequent events require recognition or disclosure in the condensed consolidated financial statements.

On July 1, 2023, Advanced Industrial Services, Inc., ("AIS") a Pennsylvania corporation and a wholly owned subsidiary of Centrex, Inc., completed the acquisition of Heisey Mechanical, Ltd. The Acquisition was effected pursuant to the Asset Purchase Agreement, dated as of June 7, 2023.

The purchase price allocation presented below is still preliminary but has been developed based on an estimate of fair values of Heisey's identifiable tangible and intangible assets acquired and liabilities assumed as of July 1, 2023. The final allocation of the purchase price will be determined within one year from the closing date of the Heisey acquisition.

The consideration transferred and preliminary allocation of Heisey's tangible and intangible assets and liabilities, are as follows:

<b>Consideration Transferred:</b>	
Cash	\$ 393,291
Seller's note	240,000
Financed amount	2,160,000
<b>Total consideration transferred</b>	<b>\$ 2,793,291</b>
<b>Purchase Price Allocation:</b>	
Inventory	300,000
Contract assets	667,259
Machinery and Equipment	1,625,000
Contract liabilities	(216,469)
Accrued Expenses	(57,499)
Goodwill	475,000
<b>Total consideration transferred</b>	<b>\$ 2,793,291</b>

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## HEISEY MECHANICAL, LTD.

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**HEISEY MECHANICAL, LTD.**  
**BALANCE SHEET**  
(unaudited)

	June 30, 2023
<b>CURRENT ASSETS</b>	
Cash	\$ 709,306
Accounts receivable, net of an allowance for credit losses of \$10,000	2,142,418
Prepaid expenses	143,110
Contract Assets	1,283,256
Inventory	315,606
<b>Total current assets</b>	<b>4,593,696</b>
<b>OTHER ASSETS</b>	
Right of use assets	364,221
<b>Total assets</b>	<b>\$ 4,957,917</b>
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 517,102
Current maturities of lease liabilities	142,323
Contract liabilities	221,730
Payroll taxes accrued and withheld	26,985
Accrued expenses	1,011,387
<b>Total current liabilities</b>	<b>1,919,527</b>
<b>LONG-TERM LIABILITIES</b>	
Lease liabilities, less current maturities	221,899
<b>Total long-term liabilities</b>	<b>221,899</b>
<b>Total liabilities</b>	<b>2,141,426</b>
Common stock, \$1 par value, 100,000 shares authorized, 10,200 shares issued and outstanding	10,200
Additional paid-in capital	-
Retained earnings	2,806,291
<b>Total stockholder's equity</b>	<b>2,816,491</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 4,957,917</b>

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

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**HEISEY MECHANICAL, LTD.**  
**STATEMENT OF OPERATIONS**  
(unaudited)

	For the three months ended June 30, 2023	For the six months ended June 30, 2023
Revenues	\$ 2,564,112	\$ 5,859,815
Cost of revenues	2,359,661	4,564,200
Gross profit	204,451	1,295,615



General and administrative	418,766	788,646
Loss/(income) from operations	(214,315)	506,969
Other income/(expense)		
Interest expense	(2,883)	(6,323)
Other income	424	1,074
Total other income (expense)	(2,459)	(5,249)
Net (loss)/income before income taxes	(216,774)	501,720
Income tax benefit/(expense)	-	-
<b>Net (loss)/income</b>	<b>\$ (216,774)</b>	<b>\$ 501,720</b>

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

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**HEISEY MECHANICAL, LTD.**  
**STATEMENT OF STOCKHOLDER'S EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2023**  
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
<b>Balance at December 31, 2022</b>	10,200	-	2,304,571	2,314,771
Net income	-	-	718,494	718,494
<b>Balance at March 31, 2023</b>	10,200	-	3,023,065	3,033,265
Net income	-	-	(216,774)	(216,774)
<b>Balance at June 30, 2023</b>	<b>\$ 10,200</b>	<b>\$ -</b>	<b>\$ 2,806,291</b>	<b>\$ 2,816,491</b>

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

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**HEISEY MECHANICAL, LTD.**  
**STATEMENT OF CASH FLOWS**  
(unaudited)

	For the six month ended June 30, 2023
<b>Operating Activities</b>	
Net income	\$ 501,720
Adjustments to reconcile net income to net cash provided by operating activities:	
Noncash lease expense	69,603
(Increase) decrease in assets:	
Accounts receivable	(277,868)
Contract Assets	952,709
Inventory	(18,011)
Increase (decrease) in liabilities:	
Lease liabilities	(69,602)
Accounts payable	(150,754)
Contract liabilities	(887,280)
Accrued expenses and other current liabilities	(19,251)
<b>Net cash provided by operating activities</b>	<b>101,266</b>
<b>Investing activities</b>	
Purchases of property and equipment	-
Proceeds from sale of property and equipment	-
<b>Net cash used by investing activities</b>	<b>-</b>
<b>Financing activities</b>	
Principal payments of notes payable	(29,276)
<b>Net cash used by financing activities</b>	<b>(29,276)</b>
Net increase in cash	71,990
Cash at beginning of year	637,316
<b>Cash cash at end of period</b>	<b>\$ 709,306</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>	
Interest paid	\$ 6,323

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

## NOTE A - NATURE OF OPERATIONS

The Company is a service contractor/fabricator that specializes in customized metal fabrication in the industrial market. The Company performs specialty projects for commercial and governmental entities in the food, chemical, manufacturing, water treatment, and wastewater treatment industries. Their manufacturing strengths are in the forming and welding of stainless steel, carbon steel, and aluminum. The Company is located in Columbia, Pennsylvania and provide services for customers primarily within 100 miles of the corporate office.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Accounts Receivable

Accounts receivable are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance, and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

### Revenue and Cost Recognition

#### *Contracts*

The Company's revenue is derived from contracts with customers. These contracts fall into two categories, "Fixed Price" and Time and Material Price" contracts. The Company determines the appropriate accounting treatment for each contract at its inception.

The Company accounts for a contract when: (i) it has approval and commitment from both parties, (ii) the rights of the parties are identified, (iii) payment terms are identified, (iv) the contract has commercial substance, and (v) collectability of consideration is probable. The Company considers the start of a project to be when the above criteria have been met and it has written authorization from the customer to proceed.

#### *Fixed price contracts*

The Company's revenue from fixed price contracts is recognized on the percentage-of-completion method, measured by the percentage of costs incurred to estimated total costs for each contract. When the job is started and in process, all actual costs incurred (labor and materials) are processed and reconciled at month end. The percentage of completion and revenue earned is calculated at month end. Billings are created based on contract criteria agreed upon and reconciled to determine if any costs in excess of billing or billings in excess of costs exist. Changes in job performance, job conditions, estimated contract costs and profitability, and final contract settlements may result in revisions to costs and income. The effects of these revisions are recognized in the period in which the revisions are determined. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments. For the three and six months ended June 30, 2023, the Company recognized \$2,226,840 and 5,026,814 of fixed price contract revenue, respectively.

#### *Time and material price contracts*

Revenue from time and material price contracts is recognized based on costs incurred and projected markup on costs. Revenue from these contracts will vary based on actual labor, materials and overhead costs charged to the job and the negotiated billing rates. Contracts are initiated by customers or through bids if with a municipality. Any materials used and time spent within the shop on the job is assigned to the appropriate job and reconciled monthly. Management bills the customer and records the revenue earned from contract. Depending on the contract terms, billings could be based on certain milestones stipulated in the contract. If this is the case, unbilled revenue is recorded at month end based on time and materials incurred and markup. For the three and six months ended June 30, 2023, the Company recognized \$323,151 and 675,866 of time and material price contract revenue, respectively.

#### *Performance Obligations*

Generally, the Company's contracts contain one performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. The Company's performance of the contracts with customers typically provides a significant service of integrating a complex set of tasks and components into a single project or capability (even if that single project results in the delivery of multiple units), and as such, the entire contract and/or purchase order is accounted for as one performance obligation. The transaction price is allocated to the performance obligation and recognized as revenue when, or as, the performance obligation is satisfied with the continuous transfer of control to the customer.

Less commonly, a contract may be considered to have multiple performance obligations even when they are part of a single contract. For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract.

The Company recognizes revenue over time for the majority of the services it performs as (i) control continuously transfers to the customer as work progresses at a project location controlled by the customer and (ii) the Company has the right to bill the customer as costs are incurred.

#### *Variable Consideration*

The transaction price for the Company's contracts may include variable consideration, which includes changes to transaction price for approved and unapproved change orders, claims and incentives. Change orders, claims and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. The Company estimates variable consideration for a performance obligation at the probability weighted value it expects to receive (or the most probable amount it expects to incur in the case of liquidated damages, if any), utilizing estimation methods that best predict the amount of consideration to which it will be entitled (or will be incurred in the case of liquidated damages, if any). The Company includes variable

consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of its anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in transaction price (or accounted for as a reduction of the transaction price in the case of liquidated damages) are not resolved in the Company's favor, or to the extent incentives reflected in transaction price are not earned, there could be reductions in, or reversals of, previously recognized revenue.

#### *Contract Assets and Liabilities*

Project contracts typically provide for a schedule of billings on percentage of completion of specific tasks inherent in the fulfillment of the Company's performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the statements of operations can and usually does differ from amounts that can be billed to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceeds cumulative billings and unbilled receivables to the customer under the contract are reflected as a current asset in the balance sheets under the caption "Costs and estimated earnings in excess of billings on uncompleted contracts." Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized are reflected as a current liability in the balance sheets under the caption "Billings in excess of costs and estimated earnings on uncompleted contracts." Conditional retainage represents the portion of the contract price withheld until the work is substantially complete for assurance of the Company's obligations to complete the job. Retainage for which the Company has an unconditional right to payment that is only subject to the passage of time are classified as contract receivable. Retainage subject to conditions other than the passage of time do not meet the definition of a receivable and are therefore included in contract assets and contract liabilities, as determined on a contract-by-contract basis. Stored materials represent items purchased in advance of its use on contracts and stored on the work sight. Revenues on uninstalled materials are recognized when control is transferred to the customer. Under certain circumstances (e.g., transfer of control occurs significantly before services are provided, the cost of the material is significant), revenue on certain uninstalled third-party materials is recognized when the cost is incurred; however, profit is not recognized until the material is ultimately in the project.

The opening and closing balances of contract receivables, contract assets and contract liabilities from contracts with customers are as follows:

	<u>Contract Receivables</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Balance, January 1, 2023	\$ 1,861,425	\$ 2,235,965	\$ 1,109,010
Balance, June 30, 2023	\$ 2,142,418	\$ 1,283,256	\$ 221,730

The following is a summary of the Company's uncompleted contracts:

	<u>Six months ended June 30, 2023</u>
Costs incurred on uncompleted contracts	\$ 7,191,789
Estimated gross profit	1,370,544
	<u>8,562,333</u>
Applicable billings to date	(8,272,190)
	<u>\$ 290,143</u>
	<u>June 30, 2023</u>
Included in the accompanying balance sheet under the following captions	
Contract Assets	
Cost in excess	\$ 511,873
Unbilled receivable	116,908
Conditional retainage	534,418
Total Contract Assets	<u>\$ 1,163,199</u>
Contract liabilities	
Billings in excess	221,730
Total Contract liabilities	<u>\$ 221,730</u>

For the six months ended June 30, 2023, net revenue recognized from the Company's performance obligations satisfied in previous periods was not material. As of June 30, 2023, conditional retainage of 85,410 was considered long-term.

#### Inventory

Inventory consists of parts and supplies held for use in the ordinary course of business. Inventory is valued at the net realized value, with cost determined principally on the first-in, first-out method. To the extent that we determine that we are holding excess or obsolete inventory, we write down the value of our inventory to its net realizable value. Such write-downs are reflected in cost of revenue. Where shipping and handling costs on inventory purchases are borne by the Company, these charges are included in inventory and charged to cost of services upon use in the Company's projects or the providing of services.

#### Property and Equipment

Property and equipment are carried at cost. Any self-constructed property and equipment is recorded at the total cost of the materials plus a standard cost for labor and overhead. Depreciation of property and equipment is determined using the straight-line method for financial statement purposes at rates based on the following estimated useful lives:

Office Furniture and Fixtures	3 - 10 years
Machinery and Other Equipment	5 - 10 years
Vehicles	5 years
Leasehold improvements	Shorter of lease term or of life of asset

Expenditures for major improvements that extend the useful lives of equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

#### Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", and subsequent related updates, to revise the accounting for leases. The Company adopted this guidance effective January 1, 2022, on a modified retrospective basis.

The Company is obligated under non-cancelable operating leases for properties. The Company determines if an arrangement is a lease at inception by assessing whether a

contract contains a right to control an identified asset for a period of time in exchange for consideration. Once a contract is determined to be a lease, the Company determines if a lease is an operating or financing lease. Operating leases are included in operating lease right-of-use assets and operating lease liabilities (current and long-term) commencing at January 1, 2022. For purposes of calculating operating lease liabilities, lease terms include the option to extend or terminate the lease when it is reasonably certain that the Company will exercise that option and begins when the Company has control and possession of the leased property, which may be before payments are due under the lease.

Operating right-of-use assets and operating lease liabilities are recognized based on the present value of lease payments, discounted using the Company's incremental borrowing rate, over the lease term at the commencement date. The Company continues to account for lease and non-lease components (Such as property taxes, insurance, and maintenance costs) as total lease consideration and therefore classifies common maintenance fees that are included in the monthly payments as lease payments within the lease agreement. The expense for the Company's leases is recognized on a straight-line basis over the lease term. Leases with terms less than 12 months are not included on the balance sheet.

#### Long-Lived Assets

Management reviews the carrying value of long-lived assets on an ongoing basis. When factors indicate that a long-lived asset may be impaired, management uses an estimate of the undiscounted future cash flows over the remaining life of the asset in measuring whether the long-lived asset's carrying value is recoverable. If such an analysis indicates that impairment has in fact occurred, the book value of the long-lived asset is written down to its fair value, which is estimated using discounted future cash flows. Management has concluded that no impairment adjustments were required during the six months ended June 30, 2023.

#### Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code and Pennsylvania and other states' tax law to be an S corporation. In lieu of corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

#### Advertising

The Company expenses advertising and promotion costs as incurred. Total advertising and promotion costs amounted to \$594 and \$3,701 for the three and six months ended June 30, 2023, respectively.

#### Presentation of Sales Tax Collected and Remitted

Various states the Company does business in impose sales tax at varying rates on the Company's sales to non-exempt customers. The Company collects sales tax from customers and remits the entire amount to the applicable states. The Company's accounting policy is to exclude the tax collected and remitted to the states from revenue and cost of contracts.

#### New Accounting Pronouncement

##### *ASU No. 2016-13*

In June 2016 the FASB issued ASU No. 2016-13. Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which makes significant changes to the accounting for credit losses on financial assets and disclosures about them. The guidance applies to a wide variety of financial assets including trade receivables and contract assets and is effective for the Company for annual reporting periods beginning after December 15, 2022, and interim periods therein. The new guidance on the current expected credit loss ("CECL") impairment model requires an estimate of expected credit losses, measured over the contractual life of an asset, that considers forecasts of future economic conditions in addition to information about past events and current conditions. It requires entities to consider the risk of loss even if it is remote, which may result in the recognition of credit losses on assets that do not have evidence of credit deterioration. Adoption did not have a material impact on financial position, results of operations or cash flows.

#### **NOTE C – CHANGE IN ESTIMATE**

During the six months ended June 30, 2023, the Company had an increase in estimated profit on contracts, which resulted in a current period increase in net income of approximately 29,000. The increase would have been reported in the preceding period had the increase in estimated profit been known at that time. Revisions in estimated profits are made in the period in which the circumstances requiring revisions become known.

#### **NOTE D – ACCOUNTS RECEIVABLE**

Accounts receivables, net consist of the following:

	<b>June 30, 2023</b>
Accounts receivable	\$ 2,152,418
Allowance for credit losses	(10,000)
	<u>\$ 2,142,418</u>

Accounts receivable include amounts due for services rendered.

Allowance for doubtful accounts includes estimated losses resulting from the inability of our customers to make the required payments.

#### **NOTE E – INVENTORY.**

Inventory represents raw materials stored at the Company's facility for use in current or future projects.

The Company does not have any allowance for obsolete inventory as of the balance sheet date.

#### **NOTE F – ACCRUED EXPENSES**

Accrued expenses consist primarily of accrued dividends of \$993,500 due to the owner. The Company is an S-Corp and at year-end and profits are distributed to the owners annually.

## NOTE G - LEASES

The Company entered into a contractual arrangement for the right to use facilities. The lease term was four years for the facilities. The lease agreements do not contain any material residual value guarantees or restrictive covenants.

Operating lease liabilities were \$364,222 as of June 30, 2023, with the current portion of \$142,323 reported on the balance sheet as "Current maturities of lease liabilities" as of June 30, 2023.

	<u>June 30, 2023</u>
Lease liabilities - current portion	
Operating leases	142,323
	<u>\$ 142,323</u>
Lease liabilities - net of current portion	
Operating leases	221,899
	<u>\$ 221,899</u>

A reconciliation of undiscounted cash flows to operating lease liabilities recognized in the balance sheet at June 30, 2023, is set forth below:

Years ending December 31,	Operating Leases
2023	\$ 75,600
2024	151,200
2025	151,200
2026	-
2027	-
Undiscounted lease payments	378,000
Amount representing interest	(13,778)
Discounted lease payments	<u>\$ 364,222</u>

Additional disclosures of lease data are set forth below:

	<u>For the three months ended June 30, 2023</u>	<u>For the six months ended June 30, 2023</u>
Lease costs:		
Operating lease costs:		
Amortization of right-of-use assets	34,802	69,603
Total lease cost	<u>\$ 34,802</u>	<u>\$ 69,603</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating leases	<u>\$ 37,800</u>	<u>\$ 75,600</u>
Weighted-average remaining lease term - operating leases (months)		30
Weighted-average discount rate - operating leases		3.08%

## NOTE H – RETIREMENT PLAN

The Company provides a retirement plan for the benefit of most employees that includes a 401(k) provision which allows employees to contribute and defer taxes on a portion of their compensation. The Company has the option to match employee contributions and/or make additional profit-sharing contributions to the plan. The Company's matching contributions, which are included in employee benefits in general and administrative expenses, totaled \$8,836, and \$14,388 for the three and six months ended June 30, 2023, respectively. The Company did not make any additional profit-sharing contributions to the plan for the three and six months ended June 30, 2023.

## NOTE I - DEMAND NOTES PAYABLE - BANK

The Company has entered into an agreement with a bank whereby it may borrow \$1,000,000 on a line of credit. The Company had \$0 outstanding balances on this line of credit as of June 30, 2023. Interest is payable at the daily Bloomberg Short-Term Bank Yield (BSBY) rate plus 3.00%. The line of credit is part of a money management program and includes an overdraft protection plan. Funds are available, through the line of credit, to cover cash payments and any funds drawn will reduce the amount available on the line of credit. The overdraft balance, which is included in the line of credit outstanding balance, was \$0 as of June 30, 2023. The line of credit is collateralized by substantially all of the Company's assets. Additionally, the line of credit agreement includes various general and financial covenants.

The Company has entered into an agreement with a bank whereby it may borrow \$250,000 on an equipment revolving line of credit. Interest on the line of credit is payable at the daily BSBY rate plus 3.00% on any outstanding balance. Advances on the line of credit are converted to long-term debt with a maximum term of five years and a fixed rate determined at the time of conversion. The Company had no outstanding balance on the line of credit as of June 30, 2023.

## NOTE J - CONTINGENCIES

### Partially Self-Insured Medical Benefit

The Company partially self-insures the medical benefits for its employees. The Company is responsible for the payment of claims up to \$35,000 a year per employee and an aggregate amount of \$256,262 for the Company. A major medical policy is in place to cover claims in excess of the amounts stated above. At June 30, 2023, the Company did not have any self-insurance accruals for claims incurred but not paid.

The measurement of these costs requires judgments about the present and expected level of cost per claim. The Company accounts for these costs by reviewing the claims outstanding and projecting the payments.

The Company believes the use of this method provides a consistent and effective way to measure this accrual. However, the use of any estimation technique is inherently sensitive given the claims involved and the length of time that there often is until the ultimate cost is known. Changes in healthcare costs and other factors can materially affect

the estimates for this liability.

#### NOTE K - CONCENTRATIONS AND CASH AND CREDIT RISKS

At times during the three and six months ended June 30, 2023, the Company's cash balances may have exceeded federally insured limits.

At June 30, 2023, approximately 20% of the Company's accounts receivable were from one customer.

For the six months ended June 30, 2023, approximately 29.5% of the Company's revenues were from one customer.

#### NOTE L - PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS

As a result of the global pandemic that has previously negatively impacted the Company in 2021, the Company received its second forgivable unsecured Small Business Administration loan under the Paycheck Protection Program to help cover payroll, rent, utility, and other eligible expenses. The loan is eligible for full or partial forgiveness if the Company incurs sufficient eligible expenses during the covered period and meets certain other criteria. The loan is secured, bears interest at a rate of 1%, and has a five-year term. The loan is guaranteed by the Small Business Administration (SBA).

The Company received the loan in the amount of \$636,207 in March 2021. The covered period started in March 2021 and ended in September 2021. The Company met the criteria, submitted the loan forgiveness application to the SBA, and received full forgiveness in October 2021. PPP loans that were forgiven are subject to audit by Small Business Administration for six years.

#### NOTE M – SUBSEQUENT EVENTS

The Company has evaluated subsequent events up to the date the financial statements were issued. The Company has concluded that the following subsequent events require recognition or disclosure in the condensed consolidated financial statements.

On July 1, 2023, Advanced Industrial Services, Inc., ("AIS") a Pennsylvania corporation and a wholly owned subsidiary of Centrex, Inc., completed the acquisition of Heisey Mechanical, Ltd. The Acquisition was effected pursuant to the Asset Purchase Agreement, dated as of June 7, 2023.

The purchase price allocation presented below is still preliminary but has been developed based on an estimate of fair values of Heisey's identifiable tangible and intangible assets acquired and liabilities assumed as of July 1, 2023. The final allocation of the purchase price will be determined within one year from the closing date of the Heisey acquisition.

The consideration transferred and preliminary allocation of Heisey's tangible and intangible assets and liabilities, are as follows:

<b>Consideration Transferred:</b>	
Cash	\$ 393,291
Seller's note	240,000
Financed amount	2,160,000
<b>Total consideration transferred</b>	<b>\$ 2,793,291</b>
<b>Purchase Price Allocation:</b>	
Inventory	300,000
Contract assets	667,259
Machinery and Equipment	1,625,000
Contract liabilities	(216,469)
Accrued Expenses	(57,499)
Goodwill	475,000
<b>Total consideration transferred</b>	<b>\$ 2,793,291</b>

### Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined balance sheet of Cemtrex, Inc. (“the Company”) for the fiscal year ended September 30, 2022, is presented as if the acquisition of Heisey Mechanical, Ltd. (“Heisey”) referred to herein as the “Acquisition” had occurred on September 30, 2021. The unaudited pro forma condensed combined statements of operations for the year ended September 30, 2022, and the subsequent nine months ended June 30, 2023, is presented as if the Acquisition had occurred on September 30, 2021.

The accompanying unaudited pro forma condensed combined financial statements are based on the historical financial statements of the Company after giving pro forma effect to the Company’s acquisition of Heisey and its related assets, liabilities and personnel and gives effect to: (i) the liability taken to fund consideration and (ii) the acquisition of Heisey. Heisey operations and related financial information contained throughout the unaudited pro forma condensed combined financial statements herein constitute predominantly all of the historical audited annual and unaudited interim financial statements Heisey. The consideration and the acquisition of Heisey are hereby referred to as the “Transaction”.

The unaudited pro forma condensed combined financial statements have been derived from and should be read in conjunction with the Company’s historical audited consolidated financial statements and historical unaudited interim condensed consolidated financial statements, including the notes thereto, and Heisey historical audited and interim unaudited financial statements, including the notes thereto. The financial statements of the Company for the year ended September 30, 2022, are included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission on December 28, 2022. The statement of operations of Heisey for the twelve months ended September 30, 2022, was derived from Heisey historical audited consolidated statement of operations for the year ended December 31, 2022, as well as the unaudited interim consolidated statements of operations for the three months ended December 31, 2021, and December 31, 2022, which are included in exhibit 99.1 and exhibit 99.2 herein. Note 2 describes the method of calculating the statement of operations of Heisey for the twelve months ended December 31, 2022, which is within 93 days of the Company’s fiscal year ended September 30, 2022, as required by Rule 11-02(c)(3) of Regulation S-X under the Securities Act of 1933.

The unaudited pro forma condensed combined financial statements include unaudited pro forma adjustments that are factually supportable and directly attributed to the Acquisition. The unaudited pro forma adjustments are expected to have a continuing impact on the consolidated results. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial statements.

The unaudited pro forma adjustments are based upon available information and certain assumptions that the Company’s management believe are reasonable. The unaudited pro forma condensed combined financial statements are presented for informational purposes only and are not necessarily indicative of the Company’s financial position or results of operations that would have occurred had the events been consummated as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements are not necessarily indicative of the Company’s future operating results.

The Company’s management expects that the strategic and financial benefits of the acquisition of Heisey will result in certain cost saving opportunities, which have not been reflected in the accompanying unaudited pro forma condensed combined financial statements.

The acquisition of Heisey will be accounted for as a business combination using the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, Business Combinations, which will establish a new basis of accounting for all identifiable assets acquired and liabilities assumed at fair value as of the date control is obtained. Accordingly, the consideration transferred will be allocated to the underlying net assets in proportion to their respective fair values. The fair value of Heisey’s identifiable tangible and intangible assets acquired and liabilities assumed are based on a preliminary estimate of fair value. Any excess of the purchase price over the estimated fair values of the net assets acquired will be recorded as goodwill. The allocation of the purchase price to acquired assets and assumed liabilities based on their underlying fair values requires the extensive use of significant estimates and the Company’s judgment. The Company’s management believes the fair values recognized for the acquired assets and assumed liabilities are based on reasonable estimates and assumptions based on information currently available. As more fully described in the notes to the unaudited pro forma condensed combined financial statements, a preliminary allocation of the purchase price has been made (i) to recognize the value of identifiable fixed assets at fair value in the aggregate amount of approximately \$1,741,500 and (ii) establish contract assets and liabilities at fair value in the aggregate amount of \$(8,309). All other assets acquired, and liabilities assumed have been recognized at their respective book values, which the Company’s management believes materially approximate their respective fair values. The excess of estimated purchase price over the estimated fair value of the net assets acquired of \$355,090 has been preliminarily allocated to goodwill. The allocation of purchase price is preliminary at this time and will remain as such until the Company completes valuations and other studies to finalize the valuation of the net assets acquired. The final allocation of the purchase price is dependent on a number of factors, including the final valuation of the fair value of all tangible and intangible assets acquired and liabilities assumed as of the closing date of the acquisition of Heisey when additional information will be available. Such final adjustments, including changes to depreciable tangible and amortizable intangible assets, may be material.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the following information:

- The notes to the unaudited pro forma condensed combined financial statements.
- The Company’s audited consolidated financial statements as of and for the fiscal year ended September 30, 2022, which are included in the Company’s Annual Report on Form 10-K as of and for the fiscal year ended September 30, 2022.
- The audited financial statements of Heisey as of and for the year ended December 31, 2022, which is included in Exhibit 99.1 herein; and
- The unaudited financial statements of Heisey as of and for the three and six months ended June 30, 2023, which are included in Exhibit 99.2 herein.

#### Pro Forma Combined Balance Sheets September 30, 2022 Unaudited

	<u>Cemtrex Inc.</u>	<u>Adjustments</u>	<u>Cemtrex Inc.</u>	<u>Heisey</u>	<u>Pro Forma</u>		<u>Pro Forma</u>
	<u>September</u>	<u>Note 6</u>	<u>September</u>	<u>December</u>	<u>Acquisition</u>	<u>Notes</u>	<u>Combined</u>
	<u>30, 2022</u>		<u>30, 2022</u>	<u>31, 2022</u>			
			<u>Adjusted</u>				
<b>Assets</b>							
Current assets							
Cash and equivalents	\$ 10,610,181	\$ (714,420)	\$ 9,895,761	637,316	\$ (1,604,979)	5(a), 5(d)	\$ 8,928,098
Restricted cash	1,577,915	-	1,577,915	-	-		1,577,915
Short-term investments	13,721	-	13,721	-	-		13,721
Trade receivables, net	5,960,686	(561,470)	5,399,216	1,864,550	(1,864,550)	5(a)	5,399,216
Inventory –net of allowance for inventory obsolescence	9,531,682	(1,043,865)	8,487,817	297,595	2,405	5(a)	8,787,817

Prepaid expenses and other assets	2,575,105	(153,461)	2,421,644	2,379,075	(1,736,797)	5(e)	3,063,922
Assets of discontinued operations	-	3,971,693	3,971,693	-	-	-	3,971,693
<b>Total current assets</b>	<b>31,767,767</b>	<b>1,498,477</b>	<b>31,767,767</b>	<b>5,178,536</b>	<b>(5,203,921)</b>		<b>31,742,382</b>
Property and equipment, net	6,106,292	(825,850)	5,280,442	-	1,369,400	5(b)	6,649,842
Right-of-use assets	2,641,198	-	2,641,198	433,824	(433,824)	5(a)	2,641,198
Note receivable - related party	761,585	-	761,585	-	-	-	761,585
Goodwill	4,505,283	(598,392)	3,906,891	-	475,000	5(a)	4,381,891
Other	1,473,980	(74,235)	1,399,745	-	-	-	1,399,745
<b>Total Assets</b>	<b>\$ 45,757,628</b>	<b>\$ -</b>	<b>\$ 45,757,628</b>	<b>5,612,360</b>	<b>\$ (3,793,345)</b>		<b>\$ 47,576,643</b>
<b>Liabilities &amp; Stockholders' Equity</b>							
Current liabilities							
Accounts payable	3,256,559	(205,620)	3,050,939	667,856	(667,856)	5(a)	3,050,939
Accounts payable - related party	19,133	-	19,133	-	-	-	19,133
Short-term liabilities, net of unamortized original issue discounts	16,894,743	-	16,894,743	29,276	256,551	5(a), 5(d)	17,180,570
Lease liabilities - short-term	818,730	(64,235)	754,495	140,191	(140,191)	5(a)	754,495
Deposits from customers	198,178	(125,034)	73,144	-	-	-	73,144
Accrued expenses	2,281,324	(10,136)	2,271,188	1,057,623	(1,000,124)	5(a)	2,328,687
Deferred revenue	1,951,282	(400,194)	1,551,088	1,109,010	(892,541)	5(a)	1,767,557
Accrued income taxes	94,848	-	94,848	-	-	-	94,848
Liabilities of discontinued operations	-	805,219	805,219	-	-	-	805,219
<b>Total current liabilities</b>	<b>25,514,797</b>	<b>-</b>	<b>25,514,797</b>	<b>3,003,956</b>	<b>(2,444,161)</b>		<b>26,074,592</b>
Long-term liabilities							
Loans payable to bank	110,331	-	110,331	-	1,620,941	5(a), 5(d)	1,731,272
Long-term lease liabilities	1,822,468	-	1,822,468	293,633	(293,633)	5(a)	1,822,468
Notes payable	-	-	-	-	-	-	-
Mortgage payable	2,160,169	-	2,160,169	-	-	-	2,160,169
Other long-term liabilities	807,898	-	807,898	-	-	-	807,898
Paycheck Protection Program Loans	97,120	-	97,120	-	-	-	97,120
Deferred Revenue - long-term	607,309	-	607,309	-	-	-	607,309
<b>Total long-term liabilities</b>	<b>5,605,295</b>	<b>-</b>	<b>5,605,295</b>	<b>293,633</b>	<b>1,327,308</b>		<b>7,226,236</b>
<b>Total liabilities</b>	<b>31,120,092</b>	<b>-</b>	<b>31,120,092</b>	<b>3,297,589</b>	<b>(1,116,853)</b>		<b>33,300,828</b>
Commitments and contingencies	-	-	-	-	-	-	-
Stockholders' equity							
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series 1, 3,000,000 shares authorized, 2,079,122 shares issued and 2,015,022 shares outstanding as of September 30, 2022 (liquidation value of \$10 per share)	2,079	-	2,079	-	-	-	2,079
Series C, 100,000 shares authorized, 50,000 shares issued and outstanding at September 30, 2022	50	-	50	-	-	-	50
Common stock, \$0.001 par value, 50,000,000 shares authorized, 754,711 shares issued and outstanding at September 30, 2022	26,413	(25,658)	755	10,200	(10,200)	5(c)	755
Additional paid-in capital	66,616,038	25,658	66,641,696	2,304,571	(2,304,571)	5(c)	66,641,696
Accumulated deficit	(54,929,020)	-	(54,929,020)	-	(361,721)	5(d), 5(e)	(55,290,741)
Treasury stock, 64,100 shares of Series 1 Preferred Stock at September 30, 2022	(148,291)	-	(148,291)	-	-	-	(148,291)
Accumulated other comprehensive income	2,377,525	-	2,377,525	-	-	-	2,377,525
<b>Total Cemtrex stockholders' equity</b>	<b>13,944,794</b>	<b>-</b>	<b>13,944,794</b>	<b>2,314,771</b>	<b>(2,676,492)</b>		<b>13,583,073</b>
Non-controlling interest	692,742	-	692,742	-	-	-	692,742
<b>Total liabilities and shareholders' equity</b>	<b>\$ 45,757,628</b>	<b>\$ -</b>	<b>\$ 45,757,628</b>	<b>5,612,360</b>	<b>\$ (3,793,345)</b>		<b>\$ 47,576,643</b>

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**Pro Forma Combined Statement of Operations**  
**For the year ended September 30, 2022**  
**Unaudited**

	Historical				Pro Forma Adjustments Acquisition	Notes	Pro Forma Combined
	Cemtrex Inc.	Adjustments Note 6	Cemtrex Inc. Adjusted	Heisey Note 2			
Revenues	\$ 50,274,923	\$ (5,248,143)	\$ 45,026,780	\$ 8,943,815	\$ -		\$ 53,970,595
Cost of revenues	31,219,405	(2,758,553)	28,460,852	7,699,968	-		36,160,820
Gross profit	19,055,518	(2,489,590)	16,565,928	1,243,847	-		17,809,775
Operating expenses							
General and administrative	27,756,159	(4,821,604)	22,934,555	(33,618)	255,600	5(b)	23,156,537
Research and development	4,851,720	(407,232)	4,444,488	-	-		4,444,488
Goodwill impairment	3,316,000	-	3,316,000	-	-		3,316,000
Total operating expenses	35,923,879	(5,228,836)	30,695,043	(33,618)	255,600		30,917,025
Operating loss	(16,868,361)	2,739,246	(14,129,115)	1,277,465	(255,600)		(13,107,250)
Other income/(expense)							





	<u>Fiscal Year Ended</u> <u>December 31,</u> <u>2022</u>	<u>Three-months</u> <u>October 1, 2022 to</u> <u>December 31, 2022</u>	<u>Three-months</u> <u>October 1, 2021 to</u> <u>December 31, 2021</u>	<u>Twelve Months</u> <u>September 30,</u> <u>2022</u>
Revenues	\$ 8,466,782	\$ 1,203,596	\$ 1,680,629	\$ 8,943,815
Cost of revenues	7,100,787	765,592	1,364,773	7,699,968
Gross profit	<u>1,365,995</u>	<u>438,004</u>	<u>315,856</u>	<u>1,243,847</u>
General and administrative	1,248,971	444,558	473,052	1,277,465
Income\ (loss) from operations	<u>117,024</u>	<u>(6,554)</u>	<u>(157,196)</u>	<u>(33,618)</u>
Other income\ (expense)				
Interest income	473	471	-	2
Interest expense	(3,821)	(452)	(1,099)	(4,468)
Other income	1,608	6	651,630	653,232
Total other income (expense)	<u>(1,740)</u>	<u>25</u>	<u>650,531</u>	<u>648,766</u>
Net income\ (loss) before income taxes	<u>115,284</u>	<u>(6,529)</u>	<u>493,335</u>	<u>615,148</u>
Income tax benefit\ (expense)	-	-	-	-
<b>Net Income</b>	<u>\$ 115,284</u>	<u>\$ (6,529)</u>	<u>\$ 493,335</u>	<u>\$ 615,148</u>

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The nine-month period ended June 30, 2023, was calculated as follows:

	<u>Six Months Ended</u> <u>June 30,</u> <u>2023</u>	<u>Add:</u> <u>Three-months</u> <u>October 1, 2022 to</u> <u>December 31, 2022</u>	<u>Nine Months</u> <u>June 30,</u> <u>2023</u>
Revenues	\$ 5,859,815	\$ 1,203,596	\$ 7,063,411
Cost of revenues	4,564,200	765,592	5,329,792
Gross profit	<u>1,295,615</u>	<u>438,004</u>	<u>1,733,619</u>
General and administrative	788,646	444,558	1,233,204
Income\ (loss) from operations	<u>506,969</u>	<u>(6,554)</u>	<u>500,415</u>
Other income\ (expense)			
Interest income	-	471	471
Interest expense	(6,323)	(452)	(6,775)
Other income	1,074	6	1,080
Total other (expense)\ income	<u>(5,249)</u>	<u>25</u>	<u>(5,224)</u>
Net loss before income taxes	<u>501,720</u>	<u>(6,529)</u>	<u>495,191</u>
Income tax benefit\ (expense)	-	-	-
<b>Net Income</b>	<u>\$ 501,720</u>	<u>\$ (6,529)</u>	<u>\$ 495,191</u>

### Note 3 – Reclassifications

As part of the Company's integration efforts, the Company will continue its process of evaluating whether there are any significant differences in accounting policies that would require adjustment or reclassification of Heisey's results of operations in order to conform to the Company's accounting policies and classifications. As a result of that ongoing evaluation, the Company may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial statements.

During the preparation of the unaudited pro forma condensed combined financial statements, the Company was not aware of any material differences between accounting policies of the two companies, except for certain reclassifications necessary to conform to the Company's financial presentation, and accordingly, the unaudited pro forma condensed combined statement of operations does not assume any material differences in accounting policies between the two companies.

### Note 4 – Fair Value of Assets Acquired, Liabilities Assumed and Calculation of Goodwill

The total purchase price has been allocated in the accompanying unaudited pro forma condensed combined financial statements based on (i) the amounts reported in the historical statements of Heisey, or (ii) management's preliminary estimates of fair value. Following discussions with third-party valuation consultants, the identifiable fixed assets, were determined to have a fair value of \$1,625,000. The Company's management reviewed various other asset allocations of similar market transactions and applied corresponding relative values of the intangibles compared to the purchase price. The estimated amortization periods are consistent with those used for similar market transactions and amortization is accounted for on a straight-line basis. The percentages assigned are an initial estimate and are subject to change once the detailed third-party purchase price accounting analysis is completed.

The pro forma purchase price allocation presented below is still preliminary but has been developed based on an estimate of fair values of Heisey's identifiable tangible and intangible assets acquired and liabilities assumed as of July 1, 2023. The final allocation of the purchase price will be determined within one year from the closing date of the Heisey acquisition. As such, the purchase price allocation may change, and such changes could result in a material change to the unaudited pro forma condensed combined financial statements.

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The preliminary allocation of Heisey's tangible and intangible assets and liabilities under this methodology as if the acquisition on September 30, 2021, is as follows:

**Consideration Transferred:**

Cash	\$ 393,291
Seller's note	240,000
Financed amount	2,160,000
<b>Total consideration transferred</b>	<b>\$ 2,793,291</b>
<b>Purchase Price Allocation:</b>	
Inventory	300,000
Contract assets	667,259
Machinery and Equipment	1,625,000
Contract liabilities	(216,469)
Accrued Expenses	(57,499)
Goodwill	475,000
<b>Total consideration transferred</b>	<b>\$ 2,793,291</b>

#### Note 5 – Pro Forma Adjustments - Acquisition

The pro forma adjustments included in the accompanying information do not reflect the final Acquisition purchase consideration. The allocation of consideration to the various tangible and intangible assets acquired and liabilities assumed is preliminary and subject to change. This note should be read in conjunction with “Note 1 – Description of The Transactions,” “Note 2 – Basis of Pro Forma Presentation,” and “Note 3 – Reclassifications.” Adjustments included in the column “Acquisition” to the accompanying unaudited proforma condensed combined balance sheet as of September 30, 2022, and statement of operations for the year ended September 30, 2022, and for the six months ended June 30, 2023, are represented by the following:

##### *Unaudited Pro Forma Condensed Combined Balance Sheet*

###### *(a) Purchase Price Allocation*

To reflect the consideration of the seller's note of \$240,000, the bank note of \$2,160,000 upon the consummation of the transaction. Adjustment also reflects the adjustment of the calculation of the contract assets and liabilities, assumed accrued liabilities, and establishment of goodwill of \$475,000 at the time of the transaction.

###### *(b) Fair Market Valuation of Fixed Assets*

To reflect the adjustment to fair market value the fixed assets acquired in the transaction and record depreciation expense for the adjusted value.

###### *(c) Elimination of Equity Balances*

To reflect the elimination of Heisey's equity balances in combination.

###### *(d) Financing related expense*

The seller's note matures one year from the date of the transaction and carries interest of 6%. For the purposes of these proforma statements, this note is shown as paid in full with interest.

The bank loan secured in order to purchase Heisey carry variable interest rates based on the 30 day Secured Overnight Financing Rate (“SOFR”). These proforma financial statement adjustments are based on the historical SOFR rates and are not indicative of what these rates may be in the future. The short-term portion is captioned under “Short-term liabilities, net of unamortized original issue discounts” on the unaudited proforma condensed combined balance sheet as of September 30, 2022.

###### *(e) Income tax*

The income tax effect is on state income taxes. Federal taxes are not reflected as any benefit would be fully offset by a valuation allowance.

###### *(f) Earning per share*

Pro forma basic and diluted earnings per share (“EPS”) is calculated in conformity with the Company's accounting policies.

#### Note 6 – Centrex Inc. - Adjustments

On November 22, 2022, the Company entered into two Asset Purchase Agreements and one Simple Agreement for Future Equity (“SAFE”) with the Company's CEO, Saagar Govil, to secure the sale of the subsidiaries Centrex Advanced Technologies, Inc, which include the brand SmartDesk, and Centrex XR, Inc., which include the brands Centrex XR, Virtual Driver Interactive, Bravo Strong, and good tech (formerly Centrex Labs), to Mr. Govil.

On January 25, 2023, the Company completed a 35:1 reverse stock split on its common stock.

The adjustments included are to reclass the assets and liabilities of the discontinued operations under the headings of Assets of discontinued operations and Liabilities of discontinued operations, respectively on the pro forma balance sheet and adjust the pro forma income statement to reflect the results of the discontinued operations. Additionally, the adjustments included adjust share and per share data for the reverse split on the pro forma balance sheet and the proforma income statement.