

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

FORM 10-K/A  
(Amendment No. 1)

(Mark One)

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 814-00736

PENNANTPARK INVESTMENT CORPORATION  
(Exact name of registrant as specified in its charter)

MARYLAND  
(State or other jurisdiction of  
incorporation or organization)  
1691 Michigan Avenue  
Miami, Florida  
(Address of principal executive offices)

20-8250744  
(I.R.S. Employer  
Identification No.)

33319  
(Zip Code)

(786) 297-9500

(Registrant's Telephone Number, Including Area Code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	PNNT	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No .

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

The aggregate market value of common stock held by non-affiliates of the Registrant on March 31, 2024 based on the closing price on that date of \$6.88 on The New York Stock Exchange was approximately \$433.6 million. For the purposes of calculating the aggregate market value of common stock held by non-affiliates, all directors and executive officers of the Registrant have been treated as affiliates. There were 65,296,094 shares of the Registrant's common stock outstanding as of February 10, 2025.

Documents Incorporated by Reference: Portions of the Registrant's Proxy Statement relating to the Registrant's 2025 Annual Meeting of Stockholders, filed pursuant to Regulation 14A with the Securities and Exchange Commission on December 11, 2024, are incorporated by reference into Part III of this Annual Report on Form 10-K.

---

---

## EXPLANATORY NOTE

PennantPark Investment Corporation, a Maryland corporation, or together with its subsidiaries, where applicable, or the Company, which may also be referred to as “we,” “us” or “our,” is filing this Amendment No. 1, or the Amendment, to our Annual Report on Form 10-K for the fiscal year ended September 30, 2024, or the Form 10-K, which was initially filed with the Securities and Exchange Commission, or the SEC, on November 26, 2024.

We are filing this Amendment to provide audited financial statements for our investment in an unconsolidated portfolio company, JF Holdings Corp. (“JF Holdings”), for the years ended December 31, 2024 and 2023 (as Exhibit 99.3), and financial statements for our investment in JF Holdings for the years ended December 31, 2023 and 2022 (as Exhibit 99.2).

We have determined that this unconsolidated portfolio company has met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which we are required, pursuant to Rule 3-09 of Regulation S-X, to provide separate financial statements as exhibits to the Form 10-K. In accordance with Rule 3-09(b)(1), the separate audited financial statements of JF Holdings are being filed as an amendment to the Form 10-K.

This Amendment also includes the filing of new Exhibits 31.1, 31.2, 32.1 and 32.2, certifications of our Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a-14(a) and (b) of the Securities Exchange Act of 1934, as amended.

Except as described above, no other changes have been made to the Form 10-K. This Amendment does not reflect subsequent events that may have occurred after the original filing date of the Form 10-K or modify or update in any way disclosures made in the Form 10-K, except as required to reflect the revisions discussed above. Among other things, forward-looking statements made in the Form 10-K have not been revised to reflect events that occurred or facts that became known to us after filing of the Form 10-K, and such forward-looking statements should be read in their historical context. Furthermore, this Amendment should be read in conjunction with the Form 10-K and with our subsequent filings with the SEC.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report:

- (1) Financial Statements—Refer to Item 8 starting on page 60 of the Registrant’s Annual Report on Form 10-K filed on November 26, 2024.
  - (2) Financial Statement Schedules—None.
  - (3) Exhibits
- 
- 3.1 [Articles of Incorporation \(Incorporated by reference to Exhibit 99\(a\) to the Registrant’s Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2/A \(File No. 333-140092\), filed on April 5, 2007\).](#)
  - 3.2 [Articles of Amendment to Articles of Incorporation of the Registrant \(Incorporated by reference to Exhibit 3.2 to the Registrant’s Quarterly Report on Form 10-Q \(File No. 814-00736\), filed on August 7, 2024\).](#)
  - 3.3 [Second Amended and Restated Bylaws of the Registrant \(Incorporated by reference to Exhibit 3.2 to the Registrant’s Quarterly Report on Form 10-Q \(File No. 814-00736\), filed on May 11, 2020\).](#)
  - 4.1 [Form of Share Certificate \(Incorporated by reference to Exhibit 99\(d\)\(1\) to the Registrant’s Registration Statement on Form N-2 \(File No. 333-150033\), filed on April 2, 2008\).](#)
  - 4.2 [Base Indenture, dated as of January 22, 2013, relating to the 6.25% Senior Notes due 2025, between the Registrant and American Stock Transfer & Trust Company, LLC, as trustee \(Incorporated by reference to Exhibit 99\(d\)\(8\) to the Registrant’s Post-Effective Amendment No.4 to the Registration Statement on Form N-2/A \(File No.333-172524\), filed on January 22, 2013\).](#)
  - 4.3 [Fourth Supplemental Indenture, dated as of April 21, 2021, by and between the Company and American Stock Transfer & Trust Company, LLC, as trustee \(Incorporated by reference to Exhibit 4.1 to the Registrant’s Form 8-K \(File No. 814-00736\), filed April 22, 2021\).](#)
  - 4.4 [Form of 4.50% Notes due 2026 \(included as part of Exhibit 4.3\).](#)
  - 4.5 [Fifth Supplemental Indenture, dated as of October 21, 2021, by and between the Company and American Stock Transfer & Trust Company, LLC, as trustee \(Incorporated by reference to Exhibit 4.1 to the Registrant’s Form 8-K \(File No. 814-00736\), filed on October 21, 2021\).](#)
  - 4.6 [Form of 4.00% Notes due 2026 \(included as part of Exhibit 4.5\).](#)
  - 4.7 [Description of Securities \(Incorporated by reference to Exhibit 4.7 to the Registrant’s Form 10-K \(File No. 814-00736\), filed November 21, 2019\).](#)
  - 10.1 [Amended and Restated Administration Agreement, dated as of May 20, 2024, between the Registrant and PennantPark Investment Administration, LLC \(Incorporated by reference to Exhibit 10.2 to the Registrant’s Quarterly Report on Form 10-Q \(File No. 814-00736\), filed on August 7, 2024\).](#)
  - 10.2 [Dividend Reinvestment Plan \(Incorporated by reference to Exhibit 99\(e\) to the Registrant’s Registration Statement on Form N-2 \(File No. 333-150033\), filed on April 2, 2008\).](#)

- 10.3 [First Omnibus Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement and Second Amended and Restated Guarantee and Security Agreement, dated as of May 25, 2017, among the Registrant, the lenders party thereto and SunTrust Bank, as administrative agent for the lenders \(Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q \(File No. 814-00736\), filed on August 7, 2017\).](#)
- 10.4 [Indemnification Agreement, dated as of November 15, 2016, between PennantPark Investment Corporation and each of the directors and officers listed on Schedule A attached thereto \(Incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K \(File No. 814-00736\) filed on November 21, 2016\).](#)
- 10.5 [Fourth Amended and Restated Investment Advisory Management Agreement, dated as of May 20, 2024, between the Registrant and PennantPark Investment Advisers, LLC \(Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q \(File No. 814-00736\) filed on August 7, 2024\).](#)
- 10.6 [Second Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement, dated as of September 4, 2019, by and among PennantPark Investment Corporation, as borrower, the lenders party thereto, SunTrust Bank, as administrative agent and collateral agent, and solely with respect to Section 4.9, PNNT CI \(GALLS\) Prime Investment Holdings, LLC, PNNT Investment Holdings, LLC, PNNT New Gulf Resources, LLC, PNNT ecoserve, LLC and PNNT Cascade Environmental Holdings, LLC \(Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 814-00736\), filed on September 4, 2019\).](#)
- 10.7 [Amended and Restated Limited Liability Company Agreement of PennantPark Senior Loan Fund, LLC, dated as of July 31, 2020, by and among PennantPark Investment Corporation, Pantheon Private Debt Program SCSp SICAV - RAIF In Respect Of Its Compartment Pantheon Senior Debt Secondaries II \(USD\) and Solutio Premium Private Debt I SCSp \(Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 814-00736\), filed on August 4, 2020\).](#)
- 10.8 [First Amendment to the Amended and Restated Limited Liability Company Agreement of PennantPark Senior Loan Fund, LLC, dated as of October 31, 2020, by and among PennantPark Investment Corporation, Pantheon Private Debt Program SCSp SICAV - RAIF In Respect Of Its Compartment Pantheon Senior Debt Secondaries II \(USD\), Pantheon Private Debt Program SCSp SICAV-RAIF In Respect Of Its Compartment Pantheon Credit Opportunities II \(USD\), Pantheon Private Debt Program SCSp SICAV-RAIF In Respect Of Its Compartment Tubera Credit 2020 and Solutio Premium Private Debt I SCSp \(Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K \(File No. 814-00736\), filed on November 19, 2020\).](#)
- 10.9 [Second Amendment to the Amended and Restated Limited Liability Company Agreement of PennantPark Senior Loan Fund, LLC, dated as of October 31, 2020, by and among PennantPark Investment Corporation, Pantheon Private Debt Program SCSp SICAV - RAIF In Respect Of Its Compartment Pantheon Senior Debt Secondaries II \(USD\), Pantheon Private Debt Program SCSp SICAV-RAIF In Respect Of Its Compartment Pantheon Credit Opportunities II \(USD\), Pantheon Private Debt Program SCSp SICAV-RAIF In Respect Of Its Compartment Tubera Credit 2020 and Solutio Premium Private Debt I SCSp \(Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K \(File No. 814-00736\), filed on September 4, 2024\).](#)
- 10.10 [Fifth Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement and Second Amended and Restated Guarantee and Security Agreement, dated as of July 29, 2022, among the Registrant, the lenders party thereto and Truist Bank, as administrative agent for the lenders \(Incorporated by reference to Exhibit 10.2 to the Registrant's Form 10-Q \(File No. 814-00736\), filed on August 3, 2022\).](#)

10.11	<a href="#"><u>Equity Distribution Agreement, dated as of June 4, 2024, by and among PennantPark Investment Corporation, PennantPark Investment Advisers, LLC, PennantPark Investment Administration, LLC and Truist Securities, Inc., as the sales agent (Incorporated by reference to Ex. 1.1 to the Registrant's Current Report on Form 8-K (File No. 814-00736), filed on June 4, 2024).</u></a>
10.12	<a href="#"><u>Equity Distribution Agreement, dated as of June 4, 2024 by and among PennantPark Investment Corporation, PennantPark Investment Advisers, LLC, PennantPark Investment Administration, LLC and Keefe, Bruyette &amp; Woods, Inc., as the sales agent (Incorporated by reference to Ex. 1.2 to the Registrant's Current Report on Form 8-K (File No. 814-00736), filed on June 4, 2024).</u></a>
10.13	<a href="#"><u>Sixth Amendment to Second Amended and Restated Senior Secured Revolving Credit Agreement, dated as of June 25, 2024, by and among PennantPark Investment Corporation and Truist Bank, as administrative agent. (Incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q (File No. 814-00736), filed on August 7, 2024).</u></a>
14.1	<a href="#"><u>Joint Code of Ethics of the Registrant (Incorporated by reference to Exhibit 14.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00736), filed on December 8, 2023).</u></a>
19.1	<a href="#"><u>Insider Trading Policy (included in the Joint Code of Ethics of the Registrant) (Incorporated by reference to Exhibit 19.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00736), filed on November 26, 2024).</u></a>
21.1	<a href="#"><u>Subsidiaries of the Registrant (Incorporated by reference to Exhibit 21.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00736), filed on November 26, 2024).</u></a>
31.1*	<a href="#"><u>Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.</u></a>
31.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.</u></a>
32.1*	<a href="#"><u>Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
97.1	<a href="#"><u>Clawback Policy (Incorporated by reference to Exhibit 97.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00736), filed on December 8, 2023).</u></a>
99.1	<a href="#"><u>Privacy Policy of the Registrant (Incorporated by reference to Exhibit 99.1 to the Registrant's Annual Report on Form 10-K (File No. 814-00736), filed on December 8, 2023).</u></a>
99.2*	<a href="#"><u>Audited Consolidated Financial Statements of JF Holdings Corp. and Subsidiaries for the Years Ended December 31, 2023 and 2022.</u></a>
99.3*	<a href="#"><u>Audited Consolidated Financial Statements of JF Holdings Corp. and Subsidiaries for the Years Ended December 31, 2024 and 2023.</u></a>
99.4	<a href="#"><u>Report of RSM US LLP, on Senior Securities Table. RSM US LLP, New York, New York (PCAOB ID: 49) (Incorporated by reference to Exhibit 99.2 to the Registrant's Annual Report on Form 10-K (File No. 814-00736), filed on November 26, 2024).</u></a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema

---

101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

---

\* Filed herewith

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 2, 2025

By: /s/ Arthur H. Penn  
Name: **Arthur H. Penn**  
Title: **Chief Executive Officer and Chairman of the Board of Directors**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Arthur H. Penn</u> <b>Arthur H. Penn</b>	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	May 2, 2025
<u>/s/ Richard T. Allorto, Jr.</u> <b>Richard T. Allorto, Jr</b>	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	May 2, 2025
<u>/s/ Adam K. Bernstein</u> <b>Adam K. Bernstein</b>	Director	May 2, 2025
<u>/s/ Jeffrey Flug</u> <b>Jeffrey Flug</b>	Director	May 2, 2025
<u>/s/ Marshall Brozost</u> <b>Marshall Brozost</b>	Director	May 2, 2025
<u>/s/ Samuel L. Katz</u> <b>Samuel L. Katz</b>	Director	May 2, 2025
<u>/s/ José A. Briones, Jr.</u> <b>José A. Briones, Jr.</b>	Director	May 2, 2025

**CERTIFICATION PURSUANT TO SECTION 302  
CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Arthur H. Penn, Chief Executive Officer and Chairman of the Board of Directors of PennantPark Investment Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of PennantPark Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2025

/s/ Arthur H. Penn

Name: Arthur H. Penn

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302  
CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Richard T. Allorto, Jr., Chief Financial Officer of PennantPark Investment Corporation, certify that:

1. I have reviewed this Annual Report on Form 10-K/A of PennantPark Investment Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2025

/s/ Richard T. Allorto, Jr.

Name: Richard T. Allorto, Jr.

Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**  
**Pursuant to**  
**Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**

In connection with the Annual Report on Form 10-K/A of PennantPark Investment Corporation for the annual period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arthur H. Penn, as Chief Executive Officer of the Registrant hereby certify, to the best of my knowledge that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Arthur H. Penn

Name: Arthur H. Penn  
Title: Chief Executive Officer  
Date: May 2, 2025

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**  
**Pursuant to**  
**Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)**


In connection with the Annual Report on Form 10-K/A of PennantPark Investment Corporation for the annual period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard T. Allorto, Jr., as Chief Financial Officer of the Registrant hereby certify, to the best of my knowledge that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Richard Allorto

---

Name: Richard T. Allorto, Jr.  
Title: Chief Financial Officer  
Date: May 2, 2025



**JF Holdings Corp.**

**Consolidated Financial Statements**  
Years Ended December 31, 2023 and 2022



The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



---

**JF Holdings Corp.**

---

Consolidated Financial Statements  
Years Ended December 31, 2023 and 2022

<b>Independent Auditor's Report</b>	3-4
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	6
Consolidated Statements of Operations	7
Consolidated Statements of Changes in Stockholder's (Deficit) Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-28



Tel: 919-754-9370  
Fax: 919-754-9369  
www.bdo.com

421 Fayetteville St  
Suite 300  
Raleigh, NC 27601

## **Independent Auditor's Report**

Board of Directors  
JF Holdings Corp.  
Raleigh, North Carolina

### ***Opinion***

We have audited the consolidated financial statements of JF Holdings Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in stockholder's (deficit) equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*BDO USA, P.C.*

May 1, 2024



**JF Holdings Corp.**

**Consolidated Balance Sheets**

<i>December 31,</i>	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,304,631	\$ 8,889,734
Restricted cash	4,623,379	1,627,410
Accounts receivable, net	112,526,480	95,978,274
Inventories	84,538,915	77,304,421
Contract assets	11,807,818	10,649,407
Other current assets	9,124,469	6,045,226
Total current assets	230,925,692	200,494,472
Property and equipment, net	6,821,531	3,514,758
Operating lease right-of-use asset, net	15,567,356	11,129,145
Finance lease right-of-use asset	21,366,610	17,931,603
Goodwill, net	52,308,714	25,593,898
Intangibles, net	20,262,735	23,787,217
Other assets	200,809	412,917
Total assets	<u>\$ 347,453,447</u>	<u>\$ 282,864,010</u>
<b>Liabilities and Stockholder's (Deficit) Equity</b>		
Current liabilities:		
Accounts payable	\$ 61,706,489	\$ 50,489,371
Accrued expenses	11,306,115	5,721,047
Accrued payroll and benefits	8,246,458	4,623,839
Income tax payable	571,303	1,339,114
Current portion of operating lease liability	4,235,219	2,892,516
Current portion of finance lease liability	8,855,033	7,100,290
Current installments of long-term debt	2,127,450	1,540,000
Customer deposits	17,104,085	17,078,283
Contract liabilities	8,463,602	5,166,282
Other current liabilities	1,450,000	—
Total current liabilities	124,065,754	95,950,742
Long-term liabilities:		
Line of credit	—	11,000,000
Long-term operating lease liability, net of current portion	11,910,581	8,810,538
Long-term finance lease liability, net of current portion	14,123,438	12,260,817
Long-term debt, net of unamortized debt issuance costs and excluding current installments	205,169,563	147,824,851
Other liabilities	7,899,298	—
Total liabilities	363,168,634	275,846,948
Commitments and contingences (Note 12)		
Stockholder's (deficit) equity:		
Common stock, \$0.01 par value, 1,000 shares authorized; 1 share issued and outstanding	143,269,512	140,362,096
Accumulated deficit	(158,984,699)	(133,345,034)
Total stockholder's (deficit) equity	(15,715,187)	7,017,062
Total liabilities and stockholders' (deficit) equity	<u>\$ 347,453,447</u>	<u>\$ 282,864,010</u>

*See accompanying notes to consolidated financial statements.*

**JF Holdings Corp.**

**Consolidated Statements of Operations**

<i>For the year ended December 31,</i>	2023	2022
<b>Revenues:</b>		
Parts and equipment	<b>\$283,851,274</b>	\$300,117,542
Service and installation	<b>306,888,223</b>	251,703,308
	<b>590,739,497</b>	551,820,850
<b>Cost of sales</b>	<b>472,208,570</b>	433,035,315
Gross profit	<b>118,530,927</b>	118,785,535
<b>Selling, general and administrative expenses</b>	<b>113,741,394</b>	104,703,644
<b>Depreciation and amortization</b>	<b>12,852,495</b>	12,779,986
(Loss) income from operations	<b>(8,062,962)</b>	1,301,905
<b>Other (expense) income:</b>		
Interest expense	<b>(20,773,983)</b>	(14,719,550)
Other income	<b>2,585,935</b>	3,187,793
Total other expense, net	<b>(18,188,048)</b>	(11,531,757)
Loss before income tax	<b>(26,251,010)</b>	(10,229,852)
<b>Income tax (benefit) expense</b>	<b>(611,345)</b>	1,466,541
Net loss	<b>\$ (25,639,665)</b>	\$ (11,696,393)

*See accompanying notes to consolidated financial statements.*

**JF Holdings Corp.**

**Consolidated Statements of Changes in Stockholder's Deficit (Equity)**

	<u>Common Stock</u>		<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Balance at December 31, 2021	1	\$135,312,096	\$(121,648,641)	\$ 13,663,455
Contribution from stockholder	—	5,050,000	—	5,050,000
Net loss	—	—	(11,696,393)	(11,696,393)
Balance at December 31, 2022	1	140,362,096	(133,345,034)	7,017,062
Contribution from stockholder	—	2,907,416	—	2,907,416
Net loss	—	—	(25,639,665)	(25,639,665)
<b>Balance at December 31, 2023</b>	<u>1</u>	<u>\$143,269,512</u>	<u>\$(158,984,699)</u>	<u>\$ (15,715,187)</u>

*See accompanying notes to consolidated financial statements.*

**JF Holdings Corp.**

**Consolidated Statements of Cash Flows**

<i>For the year ended December 31,</i>	2023	2022
<b>Cash flows from operating activities:</b>		
Net loss	<b>\$(25,639,665)</b>	\$(11,696,393)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Bad debt recovery	(688,727)	(282,453)
Debt issuance cost amortization	687,749	646,305
Depreciation and amortization	19,981,514	18,290,100
Non-cash lease expense	133,712	203,103
Changes in operating assets and liabilities, net of impact of acquisitions:		
Accounts receivable	9,775,426	(6,447,060)
Inventory	(1,480,859)	(8,344,214)
Contract assets	960,572	(3,494,451)
Other current assets	(1,129,953)	(2,660,316)
Other assets	212,107	(259,853)
Accounts payable	(4,193,987)	645,205
Accrued expenses	3,686,932	(567,807)
Accrued payroll and benefits	1,511,499	(732,983)
Income tax payable	(767,811)	1,339,114
Customer deposits	25,802	3,210,202
Contract liabilities	660,099	1,036,811
Net cash provided by (used in) operating activities	<b>3,734,410</b>	(9,114,690)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,052,510)	(842,148)
Proceeds from sale of property and equipment	326,500	—
Acquisition of Dykstra, net of cash	—	(7,740,827)
Acquisition of Miller, net of cash acquired	(3,543,000)	—
Acquisition of Jones Covey, net of cash acquired	(31,082,539)	—
Acquisition of MIBA, net of cash acquired	(6,549,327)	—
Net cash used in investing activities	<b>(41,900,876)</b>	(8,582,975)
<b>Cash flows from financing activities:</b>		
Payments on line of credit, net	(11,000,000)	(500,000)
Payments on term debt	(1,555,588)	(4,024,718)
Proceeds from term debt	60,000,000	30,000,000
Payments on finance lease liabilities	(8,574,496)	(6,586,087)
Deferred financing costs	(1,200,000)	(600,000)
Contribution from stockholder	2,907,416	5,050,000
Net cash provided by financing activities	<b>40,577,332</b>	23,339,195
Net increase in cash, cash equivalents and restricted cash	<b>2,410,866</b>	5,641,530
Cash, cash equivalents and restricted cash at beginning of year	<b>10,517,144</b>	4,875,614
Cash, cash equivalents and restricted cash at end of year	<b>\$ 12,928,010</b>	<b>\$ 10,517,144</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<b>\$ 16,880,568</b>	\$ 15,169,063

*See accompanying notes to consolidated financial statements.*

**1. Nature of Business and Significant Accounting Policies**

***Nature of Business***

MidOcean JF Holdings Corp. was formed on December 30, 2011 to facilitate the purchase of JF Acquisition, LLC by certain institutional investors, in partnership with members of the Company's management. Effective November 20, 2023, MidOcean JF Holdings Corp. changed its legal name to JF Holdings Corp. (the "Company").

The Company is primarily engaged in the business of selling, servicing, and installing fluid handling equipment and related products. It conducts operations throughout the United States of America.

***Use of Estimates***

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

***Basis of Presentation and Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), as set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with a remaining maturity of three months or less at the date of purchase to be cash equivalents. The Company reclassifies any bank overdrafts for outstanding checks to accounts payable. Restricted cash consists of construction bonds.

***Accounts Receivable***

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Retainage receivable are recorded on service and installation contracts and include billed and unbilled amounts for services and materials provided to customers for which the Company has an unconditional right to payment. Bill and unbilled amounts for which payment is contingent on anything other than the passage of time are included in contract assets and contract liabilities on a net basis at the individual contract level. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable write-offs were \$0.3 million and \$1.8 million during the years ended December 31, 2023 and 2022, respectively.

***Inventories***

Inventories consist of parts and supplies and are valued at the lower of cost or net realizable value as determined using the average cost method. Provisions are recorded to reduce inventory for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products. As of December 31, 2023 and 2022, the valuation allowance for inventory totaled \$14.6 million and \$13.2 million, respectively.

***Property and Equipment***

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized. The cost of assets retired or sold, together with their related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to operations.

***Goodwill***

The Company has elected to amortize goodwill on a straight-line basis over 10 years. In addition, the Company has elected to test goodwill for impairment at the entity level whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recovered. Upon occurrence of a triggering event, the Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the Company is less than its carrying amount. If the Company determines it is more-likely-than-not that the fair value of the Company is less than its carrying value, the Company will perform a one-step impairment test and recognize an impairment loss for the amount by which the carrying amount exceeds its fair value. The Company did not record any impairment for the years ended December 31, 2023 or 2022.

***Long-lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. The Company did not record any impairment for the years ended December 31, 2023 or 2022.

**Revenue and Cost Recognition**

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products and services are transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those goods and services. This process involves identifying the customer contract, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it (a) provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and (b) is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of goods and services to a customer, meaning the customer has the ability to use and obtain the benefit of the related asset. The Company's products are sold to customers throughout the United States.

Payment terms and conditions may vary by contract, although terms generally include a requirement of payment within 30-60 days after the performance obligation has been satisfied. As customer payment terms are typically less than one year, the Company has applied the practical expedient to exclude consideration of significant financing components from the determination of the transaction price. Costs to obtain contracts are generally not significant and are expensed in the period incurred. In addition, contracts with customers typically contain variable consideration in the form of early pay discounts and sales returns. The Company estimates the variable consideration, based on prior experience and current trends, and records a reduction to the sales price for the estimated variable consideration associated with the transaction. The total amount of variable consideration is not material. Taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from sales.

Revenue associated with parts and equipment sales is recognized when the performance obligation has been satisfied and the control has been transferred to a customer, which generally occurs upon shipment. Contracts with customers generally state the terms of the sale, including the quantity and price of each product purchased, along with any related discounts. Shipping and handling costs associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfillment cost and are included in cost of sales as incurred. For revenue transactions recognized under bill-and-hold arrangements, control transfers to the customer when the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the product even though it has decided not to exercise its right to take physical possession of that product.

Revenue associated with contracts from service and installation projects, including the respective parts and equipment, is recognized over time as the Company's performance creates or enhances assets that are controlled by the customer. These contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and, therefore, is not distinct. Management applied the practical expedient in ASC 606-10-14 and excluded the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

Revenue recognized at a point in time was approximately \$250 million and \$276 million for the years ended December 31, 2023 and 2022, respectively. Revenue recognized over time was approximately \$341 million and \$276 million for the years ended December 31, 2023 and 2022, respectively.

Notes to Consolidated Financial Statements

---

The contract types are generally comprised of either a time and material contract or a fixed-price contract. For time and material contracts, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts. For fixed price contracts, revenue is measured by the costs incurred to date relative to the estimated total direct costs to fulfill each contract (cost-to-cost method). Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, materials and overhead.

Contract assets primarily represent revenue earnings over time that are not yet billable based on the terms of the contracts or billed and unbilled amounts for which payment is contingent on anything other than the passage of time. Retainage included in contract assets totaled approximately \$4.3 million and \$0 at December 31, 2023 and 2022, respectively.

The Company does not have any impairment losses associated with contracts with customers for the year ended December 31, 2023 and 2022. Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company's revenue recognition criteria described above. Customer deposits for equipment sales are also considered contract liabilities and are presented separately within the consolidated balance sheets.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Additionally, both contract assets and contract liabilities are classified as current on the consolidated balance sheets as the Company expects to complete the related performance obligations and invoice the customers within one year of the balance sheet date.

***Fair Value Measurements***

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The carrying value approximates the fair value of receivables, payables, and accrued expenses based upon the short-term nature of these amounts. Borrowings under the line of credit and term notes as of December 31, 2023 and 2022 have variable interest rates that reflect currently available terms and conditions for similar debt. The carrying amount of this debt is a reasonable estimate of its fair value (level 2).

Notes to Consolidated Financial Statements

---

***Income Taxes***

Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more-likely-than-not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses.

***Advertising***

Advertising costs are expensed as incurred. Advertising expenses included within selling, general and administrative expenses in the accompanying consolidated statements of operations were not material during the years ended December 31, 2023 and 2022.

***Business Combinations***

The Company includes the results of operations of the businesses that it acquires as of the respective dates of acquisition. The Company records the fair value of the assets acquired and liabilities assumed as of the acquisition date. The excess of the fair value of the purchase price over the fair values of assets acquired and liabilities assumed is recorded as goodwill. The determination of the value and useful lives of the intangible assets acquired are valued using income and cost approaches and involve certain judgments and estimates which the Company considers to be Level 3 inputs. See Note 2 for further discussion of the Company's business combinations.

***Leases***

The Company adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) effective January 1, 2022, using the optional transition method. As a result, the consolidated financial statements for the year ended December 31, 2022, reflect the impact of the adoption of Topic 842 on the Company's leases.

Upon the adoption of Topic 842, the Company has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.

Notes to Consolidated Financial Statements

---

The Company has also elected the following practical expedients: (1) not to separate lease components from non-lease components, and (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less.

The adoption of Topic 842 resulted in the recognition of right-of-use assets and lease liabilities of approximately \$10 million and \$10.5 million, respectively, on the consolidated balance sheet as of January 1, 2022 for certain leases that were previously classified as operating leases. The Company has also updated its disclosures related to leasing arrangements to comply with the new standard.

At the lease commencement date, the Company determines if a lease should be classified as an operating or a finance lease, and it recognized a corresponding lease liability and a right-of-use asset on the consolidated balance sheet. The lease liability is initially and subsequently measured as the present value of the remaining fixed minimum rental payments using discount rates as of the commencement date. The right-of-use asset is initially and subsequently measured at the carrying amount of the lease liability adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use asset.

Right-of-use assets are assessed for impairment using the long-lived assets impairment guidance. No impairments have been recorded during the years ended December 31, 2023 and 2022.

For finance leases, the Company accounts for lease agreements with contractually required lease and non-lease components on a combined basis pursuant to lease accounting guidance. For operating leases, the Company separates lease and non-lease components and capitalizes only the contractually required lease payments. Variable payments for operating leases (including most utilities, real estate taxes, insurance and variable common area maintenance) are expensed as incurred.

Short term leases and other insignificant leases are not recorded on the consolidated balance sheets but are expensed on a straight-line basis over the lease term.

Discount Rate

Under Topic 842, the discount rate used to calculate the lease liability should be the rate implicit in the lease if that rate can be readily determined. However, if the rate implicit in the lease cannot be readily determined, the Company will use the incremental borrowing rate (“IBR”) as the discount rate.

The Company’s IBR represents the rate of interest that the Company would have to pay to borrow funds on a collateralized basis over a similar term to the lease term. The Company will determine the IBR based on several factors, including creditworthiness, the underlying asset, the term of the lease, and the economic environment. The Company generally uses a portfolio approach to determine the IBR for leases with similar characteristics.

It is important to note that the Company’s IBR may change over time due to changes in market conditions or creditworthiness. Therefore, the Company will need to reassess the IBR on a periodic basis, at least annually or when there is a significant event that may impact borrowing costs.

**Debt Issuance Costs**

In accordance with ASC 835, Debt and Equity Financing, costs associated with issuing debt, such as various fees and commissions are capitalized and reflected in the accompanying consolidated balance sheets as a contra long-term liability, and amortized over the finite life of the underlying debt instrument. These costs are included in interest expense using the effective interest method. The unamortized amounts are presented as a reduction of the total debt in the accompanying consolidated balance sheets. Accumulated amortization was \$2.5 million and \$1.8 million as of December 31, 2023 and 2022, respectively, and amortization expense was \$0.7 million and \$0.6 million for the years ended December 31, 2023 and 2022, respectively. Original debt issuance costs were \$4.5 million and \$3.3 million as of December 31, 2023 and 2022, respectively.

**Recently Issued Accounting Pronouncements**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses in Financial Instruments, and issued subsequent amendments to the initial guidance, collectively referred to as ASC 326. ASC 326 requires entities to measure all expected credit losses for most financial assets held at the reporting date based on an expected loss model, which includes historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. This ASU also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. ASC 326 was effective for annual periods beginning after December 15, 2022. The adoption of this ASU did not have a material effect on the consolidated financial statements.

**Reclassifications**

Certain balances have been reclassified from prior year to conform to the current year's presentation. Such reclassifications are not material and had no effect on the Company's prior year results of operations or financial position.

**2. Business Combinations****MIBA, INC.**

On December 19, 2023, the Company acquired 100% of the equity interests of MIBA, INC. ("MIBA") for consideration of \$7.7 million. MIBA is a premier Midwestern U.S. general contracting, petroleum services, and construction company, headquartered in Dayton, Ohio, that also provides maintenance, repair, and compliance testing services. The Company has included MIBA's operating results from the date of the acquisition in the accompanying consolidated financial statements. This acquisition resulted in goodwill of \$5.8 million related to customer relationships, synergies, and opportunities for growth through geographic expansion. The goodwill is expected to be deductible for tax purposes. Acquisition related costs of \$0.3 million are included in selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2023.

**Notes to Consolidated Financial Statements**

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows:

<b>Acquisition consideration:</b>	
Cash	<b>\$ 7,281,035</b>
Deferred cash consideration	<b>450,000</b>
Fair value of consideration transferred	<b><u>\$ 7,731,035</u></b>
<b>Recognized amount of identifiable assets acquired and assumed liabilities:</b>	
Cash	<b>\$ 731,708</b>
Accounts receivable	<b>2,815,700</b>
Inventories	<b>870,858</b>
Other current assets	<b>1,105,552</b>
Accounts payable	<b>(2,150,887)</b>
Accrued expenses	<b>(1,458,671)</b>
Total identifiable net assets	<b>1,914,261</b>
Goodwill	<b>5,816,774</b>
Total net assets acquired	<b><u>\$ 7,731,035</u></b>

From the acquisition date through December 31, 2023, MIBA contributed net sales of \$0.5 million and net loss of \$0.3 million, which has been included in the Company's consolidated statement of operations.

## Notes to Consolidated Financial Statements

*Jones/Covey Group Incorporated*

On October 31, 2023, the Company acquired 100% of the equity interests of Jones/Covey Incorporated (“Jones Covey”) for consideration of \$40.3 million, with \$6.8 million of that amount scheduled as deferred payment due on June 30, 2025. Jones Covey is a premier national general contracting and construction company, headquartered in Southern California, that also provides maintenance, repair and compliance testing services in the Western US. The Company has included Jones Covey’s operating results from the date of the acquisition in the accompanying consolidated financial statements. This acquisition resulted in goodwill of \$20.2 million related to customer relationships, synergies, and opportunities for growth through geographic expansion. The goodwill is expected to be deductible for tax purposes. Acquisition related costs of \$0.5 million are included in the accompanying consolidated statement of operations for the year ended December 31, 2023.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows:

Acquisition consideration:	
Cash	\$ 33,550,094
Deferred cash consideration	6,785,890
Fair value of consideration transferred	<u>\$ 40,335,984</u>
Identifiable assets acquired and liabilities assumed:	
Cash	\$ 2,467,555
Accounts receivable	19,447,892
Inventories	4,707,414
Contract asset	1,787,668
Other current assets	2,035,632
Property and equipment	3,115,853
Intangibles	3,000,000
Accounts payable	(11,015,314)
Accrued expenses	(3,535,991)
Contract liabilities	<u>(1,920,563)</u>
Total identifiable net assets	20,090,146
Goodwill	<u>20,245,838</u>
Total	<u>\$ 40,335,984</u>

From the acquisition date through December 31, 2023, Jones Covey contributed net sales of \$13.7 million and net loss of \$1.2 million, which has been included in the Company’s consolidated statement of operations. The determination of the estimated fair values of net assets acquired was preliminary as of December 31, 2023 due to the limited amount of time since the acquisition date, as a result, further adjustments to these estimates may occur. The \$6.8 million of deferred cash consideration is included in other liabilities on the accompanying consolidated balance sheet.

## Notes to Consolidated Financial Statements

*Miller Construction Management, LLC*

On August 1, 2023, the Company acquired 100% of the equity interests of Miller Construction Management, LLC (“MCM”) for consideration of \$5.5 million. MCM is a commercially certified, multi-industry contractor serving commercial and retail installation, construction sectors with specialized turn-key solutions for ground ups, remodels and building additions. The acquisition of MCM bolsters JF’s General Contracting offering and expands its General Contracting reach across the Southeast and Gulf Coast regions. The Company has included MCM’s operating results from the date of the acquisition in the accompanying consolidated financial statements. This acquisition resulted in goodwill of \$4.6 million related to customer relationships, synergies, and opportunities for growth through geographic expansion. The goodwill is expected to be deductible for tax purposes. Acquisition related costs of \$0.3 million are included in selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2023.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows:

Acquisition consideration:	
Cash	\$ 3,543,000
Deferred cash consideration	2,000,000
Fair value of consideration transferred	<u>\$ 5,543,000</u>
Identifiable assets acquired and liabilities assumed:	
Accounts receivable	\$ 3,305,031
Other current assets	463,945
Accounts payable	(2,262,694)
Accrued liabilities	<u>(530,570)</u>
Total identifiable net assets	975,712
Goodwill	<u>4,567,288</u>
Total net assets acquired	<u>\$ 5,543,000</u>

From the acquisition date through December 31, 2023, MCM contributed net sales of \$10.2 million and net profit of \$0.1 million, which has been included in the Company’s consolidated statement of operations. The \$2.0 million of deferred cash is expected to be paid in installments for \$0.5 million commencing January 2024 and continuing every six months until July 2025. \$1.0 million of deferred cash consideration is included in other current liabilities on the accompanying consolidated balance sheet, and \$1.0 million is included in other liabilities on the accompanying consolidated balance sheet.

## Notes to Consolidated Financial Statements

*Dykstra Holdings, LLC*

On February 7, 2022, the Company acquired 100% of the equity interests of Dykstra Holdings, LLC (“Dykstra”) for consideration of \$7.8 million. Dykstra is a commercially certified, multi-industry contractor specializing in commercial and convenience store construction and petroleum equipment installation and repair. This acquisition strengthens the Company’s leadership position in the industry and enhances its ability to serve customers in the Southeast region. The Company has included Dykstra’s operating results from the date of the acquisition in the accompanying consolidated financial statements. This acquisition resulted in goodwill of \$6.1 million related to customer relationships, synergies and opportunities for growth through geographic expansion. The goodwill is expected to be deductible for tax purposes. Acquisition related costs of \$0.6 million are included in the accompanying consolidated statement of operations for the year ended December 31, 2022.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows:

Consideration:	
Cash	\$ 7,840,827
Fair value of consideration transferred	<u>\$ 7,840,827</u>
Recognized amount of identifiable assets acquired and assumed liabilities:	
Current assets	\$ 4,367,933
Property and equipment	39,892
Current liabilities	<u>(2,675,513)</u>
Total identifiable net assets	1,732,312
Goodwill	<u>6,108,515</u>
<b>Total</b>	<b><u>\$ 7,840,827</u></b>

The fair value of the current assets acquired includes trade receivables with a fair value of \$1.9 million. From the acquisition date through December 31, 2022, Dykstra contributed net sales of \$41.6 million and net profit of \$0.9 million, which has been included in the Company’s consolidated statement of operations.

Notes to Consolidated Financial Statements

3. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following as of December 31:

	2023			
	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:				
Customer list	4 years	\$45,750,499	\$(36,135,233)	\$ 9,615,266
Trademark and tradename	4 years	30,209,000	(19,561,531)	10,647,469
Total		<u>\$75,959,499</u>	<u>\$(55,696,764)</u>	<u>\$20,262,735</u>
Goodwill	8 years	\$66,351,028	\$(14,042,313)	\$52,308,714

	2022			
	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:				
Customer list	5 years	\$45,750,499	\$(33,085,199)	\$12,665,300
Trademark and tradename	5 years	27,209,000	(16,087,083)	11,121,917
Total		<u>\$72,959,499</u>	<u>\$(49,172,282)</u>	<u>\$23,787,217</u>
Goodwill	8 years	\$35,699,579	\$(10,105,681)	\$25,593,898

The changes in the carrying amount of goodwill and intangible assets are as follows for the years ended December 31:

	2023	
	Goodwill	Intangibles
Balance at beginning of year	\$25,593,898	\$23,787,217
Acquired	30,651,449	3,000,000
Amortization expense	(3,936,633)	(6,524,482)
Balance at end of year	<u>\$52,308,714</u>	<u>\$20,262,735</u>

Notes to Consolidated Financial Statements

	2022	
	Goodwill	Intangibles
Balance at beginning of year	\$22,784,064	\$30,411,704
Acquired	6,108,514	—
Amortization expense	(3,298,680)	(6,624,487)
Balance at end of year	<u>\$25,593,898</u>	<u>\$23,787,217</u>

Aggregate amortization expense for intangible assets and goodwill was \$10.5 million and \$9.9 million for the years ended December 31, 2023 and 2022, respectively. Amortization expense is expected to be approximately \$12.3 million in 2024, \$12.0 million in 2025, \$11.2 million in 2026, \$7.9 million in 2027, and \$7.2 million in 2028, and \$22.0 million thereafter.

4. Accounts Receivable

Accounts receivable consisted of the following as of December 31:

	2023	2022
Trade receivables	\$ 97,556,368	\$83,043,391
Retainage receivables	4,100,081	1,064,175
Rebates receivable	12,882,510	14,565,283
Other receivables	1,306,194	293,821
	<u>115,845,153</u>	<u>98,966,670</u>
Less allowance for uncollectible accounts	(3,318,673)	(2,988,396)
	<u>\$112,526,480</u>	<u>\$95,978,274</u>

5. Property and Equipment

Property and equipment consisted of the following as of December 31:

	Useful Lives (years)	2023	2022
Autos & trucks	3-7	\$ 10,163,071	\$ 3,713,696
Furniture & equipment	3-10	4,323,228	4,137,183
Computer software	3-5	8,407,143	7,705,479
Machinery & equipment	3-10	5,996,898	3,277,215
Leasehold improvements	3-10	1,633,446	1,435,783
Less Accumulated Depreciation		(23,702,255)	(16,754,598)
		<u>\$ 6,821,531</u>	<u>\$ 3,514,758</u>

Notes to Consolidated Financial Statements

Depreciation and amortization expense for property and equipment for the years ended December 31, 2023 and 2022 was \$0.8 million and \$1.7 million, respectively.

**6. Long-term Debt**

The Company entered into a \$119.5 million credit agreement on July 31, 2019, which includes a revolving line of credit and a debt facility. The credit facility includes multiple lenders, one of which is a stockholder of the Company's ultimate parent.

***Revolving Line of Credit***

The Company has a \$12.5 million revolving line of credit. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's stockholder. The revolving line of credit expires on July 31, 2026 and bears interest on either a floating rate equal to the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin. The Applicable Margin is based on the Company's leverage ratio and is 4.5% for Base Rate loans and 5.5% for LIBOR loans. The effective interest rate was 10.98% and 9.57% at December 31, 2023 and 2022, respectively. The Base Rate is equal to the higher of the Prime Rate or the Federal Funds Rate plus 0.5%, and LIBOR is subject to a 1.0% minimum floor. The unused portion of the revolving line of credit bears interest at 0.5%. There were no outstanding borrowings on December 31, 2023, and \$11 million on December 31, 2022.

***Debt Facility***

The Company has a credit agreement that includes a term note. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's stockholder. The term note matures on July 31, 2026 and bears interest on either a floating rate equal to the Base Rate plus the Applicable Margin or LIBOR plus the Applicable Margin. The Applicable Margin is based on the Company's leverage ratio and is 4.5% for Base Rate loans and 5.5% for LIBOR loans. The Base Rate is equal to the higher of the Prime Rate or the Federal Funds Rate plus 0.5%, and LIBOR is subject to a 1.0% minimum floor. The effective interest rate was 10.98% and 9.57% at December 31, 2023 and 2022, respectively. On October 31, 2023, the Company entered into an amendment to the 2019 debt agreement which allowed for \$60 million of incremental borrowing under the term debt.

Aggregate principal maturities required on the debt facility as of December 31, 2023 are as follows:

2024	\$ 2,127,450
2025	2,127,450
2026	<u>205,072,012</u>
	<u>\$209,326,912</u>
Less:	
Unamortized debt issuance costs	\$ 2,029,899
Current installments	<u>2,127,450</u>
Long-term debt, net unamortized debt issuance costs	<u><u>\$205,169,563</u></u>

## Notes to Consolidated Financial Statements

The Company's credit agreement contains certain covenants, which among other things, require the Company to maintain certain financial ratios. The Company was in compliance with these covenants as of December 31, 2023.

## 7. Income Taxes

Income tax expense consisted of the following for the years ended December 31:

	2023	2022
Current income tax		
Federal	\$(966,630)	\$ 966,630
State	355,285	499,911
Total	<u>\$(611,345)</u>	<u>\$1,466,541</u>
Deferred income tax		
Federal	\$ —	\$ —
State	—	—
Total	—	—
Total provision for income taxes	<u>\$(611,345)</u>	<u>\$1,466,541</u>

Notes to Consolidated Financial Statements

Income tax expense differs from the amounts that would result from applying the federal statutory rate of 21% to the Company's loss before income tax expense as follows for the years ended December 31:

	2023	2022
Expected tax expense	\$ (4,819,723)	\$ (2,148,269)
State income taxes, net of federal benefit	(486,455)	66,309
Change in tax rate	(192,833)	484,917
Change in valuation allowance	16,788,225	(9,600,722)
Permanent differences	434,073	312,646
Other	53,500	(133,085)
Deferred tax adjustment – Section 382 limitation	(12,388,132)	12,484,745
Total	<u>\$ (611,345)</u>	<u>\$ 1,466,541</u>

Temporary differences that give rise to the components of deferred tax assets and liabilities are as follows:

	2023	2022
<b>Deferred Tax Assets:</b>		
Allowance for doubtful accounts	\$ 695,517	\$ 611,526
Inventory reserve	3,940,016	3,369,872
Net operating loss	13,331,915	12,632,674
Accrued expenses	1,475,837	—
Intangibles and property and equipment	3,450,629	—
Lease liability	8,942,102	7,174,483
Interest expense	9,022,097	3,704,165
Other	162,818	—
Total deferred tax assets	<u>41,020,931</u>	<u>27,492,720</u>
<b>Deferred Tax Liabilities:</b>		
Right-of-use assets	(8,874,800)	(6,723,362)
Other	—	(34,962)
Intangibles and property and equipment	—	(5,376,547)
Total deferred tax liabilities	<u>(8,874,800)</u>	<u>(12,134,871)</u>
Net deferred tax assets	<u>32,146,131</u>	<u>15,357,849</u>
Less: valuation allowance	<u>(32,146,131)</u>	<u>(15,357,849)</u>
<b>Net Deferred Tax Asset</b>	<u>\$ —</u>	<u>\$ —</u>

Notes to Consolidated Financial Statements

---

As of December 31, 2023 and 2022, the Company has federal net operating losses of \$53.9 million and \$51.3 million, respectively. The net operating loss of \$41 million, generated pre-2018 will expire between 2034 and 2037. The \$12 million generated in 2018 – 2022 can be carried forward indefinitely, subject to 80% taxable income limitation. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income exclusive of scheduled reversal of deferred tax liabilities, and tax-planning strategies in making this assessment. Based upon the level of historical book losses, management believes it is not more-likely than-not that the Company will realize the benefits of these deductible differences, and accordingly, has a valuation allowance in the amount of \$32.1 million and \$15.4 million as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company does not have any material unrecognized tax benefits and accordingly has not recorded any interest or penalties related to unrecognized tax benefits. The Company's policy is to record interest as part of tax expense. The Company files a consolidated federal return and various state returns. These returns remain subject to examination by taxing authorities for the years 2014, and 2016 through 2022 due to net operating loss carryforward.

Certain tax attributes are subject to an annual limitation due to a change in ownership as defined under Internal Revenue Code 382. The Company is in the process of finalizing the section 382 study.

**8. Leases**

The Company has lease commitments with third parties under various finance and operating leases for office facilities, trucks, machinery and office equipment. Operating leases generally contain renewal options for periods ranging from 5 to 7 years. Because the Company is not reasonably certain to exercise these non-binding renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from future minimum lease payments. Rent expense totaled \$4.1 million and \$3.5 million for the year ended December 31, 2023 and 2022, respectively.

Notes to Consolidated Financial Statements

The following table provides quantitative information concerning the Company's operating and finance leases as of and for the year ended December 31, 2023:

	2023	2022
<b>Lease Cost</b>		
Amortization of right-to-use assets - finance leases	\$ 8,700,991	\$ 6,684,596
Interest on lease cost	1,479,159	1,548,045
Operating lease cost	4,077,301	3,491,287
Variable lease cost	966,396	650,276
Total Lease Cost	\$15,223,847	\$12,374,204
<b>Other Information</b>		
Finance lease - operating cash flows	\$ 1,448,276	\$ 1,538,438
Finance lease - financing cash flows	\$ 8,548,735	\$ 6,595,694
Operating lease - operating cash flows	\$ 7,226,459	\$ 6,171,315
<b>Right-of-use Assets Obtained in Exchange for</b>		
<b>Lease Liabilities:</b>		
Operating leases	\$ 6,985,242	\$13,961,173
Finance leases	\$11,684,403	\$10,751,494
Weighted average remaining lease term - finance leases	2.97 years	2.98 years
Weighted average remaining lease term - operating leases	4.77 years	4.94 years
Weighted average discount rate - finance leases	10.18%	11.18%
Weighted average discount rate - operating leases	7.33%	7.39%

The following table is a maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023:

Maturity	Finance Leases	Operating Leases
2024	\$10,137,127	\$ 4,603,892
2025	8,350,961	4,346,635
2026	4,422,263	3,555,525
2027	1,355,624	2,514,417
2028	364,125	1,670,540
In aggregate thereafter	739,710	1,809,717
Total	\$25,369,810	\$18,500,726
Less interest	\$ (2,391,339)	\$ (2,354,926)
Present value of lease liabilities	\$22,978,471	\$16,145,800

**9. Employee Benefit Plan**

The Company provides a tax-qualified employee savings and retirement plan, commonly known as a 401(k) plan (the “Plan”), which covers the Company’s eligible employees. Pursuant to the Plan, employees may elect to reduce their current compensation up to the IRS annual contribution limit. The amount contributed to the Plan is on a pre-tax basis.

The Company provides for discretionary matching contributions as determined by the Board of Directors for each calendar year. All matching contributions vest based on length of service, participants are 100% vested after 4 years of service. The program during fiscal 2023 and 2022 is to match \$0.50 for every Dollar contributed by the employee up to the first 3% of pay. The Company’s matching contributions to the Plan totaled approximately \$1.9 million and \$1.8 million for the years ended December 31, 2023 and 2022, respectively.

**10. Related Party Transactions**

The MCM acquisition described in Note 2 resulted in \$2 million of deferred cash consideration to the seller. This seller has continued with the acquired entity as a key member of management.

A stockholder of the Company’s ultimate parent is one of the lenders in the Company’s credit facility (Note 6). The stockholder’s portion of the credit facility was \$60 million as of December 31, 2023.

**11. Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to credit risks consist principally of uninsured bank deposits and trade accounts receivable. The Company’s policy is to place its cash deposits with high-credit quality financial institutions and at times cash accounts may exceed FDIC insurance limits. The Company has never experienced any losses related to these balances. The Company routinely assesses the financial strength of its customers and believes that its trade receivable credit risk exposure is limited. The Company does not require collateral relating to its trade receivables.

The Company made purchases from three vendors in 2023 and 2022, which accounted for 35% and 42% of purchases during 2023 and 2022, respectively.

**12. Commitments and Contingences**

The Company is periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. Management does not expect the ultimate resolution of these actions to have a material effect on the Company’s financial position.

**13. Subsequent Events**

The Company evaluated the effects of all subsequent events from December 31, 2023, through May 1, 2024, the date the consolidated financial statements were available for issuance and did not identify any additional items that would materially affect the consolidated financial statements or require additional disclosure.

**JF Holdings Corp.**

**Consolidated Financial Statements**  
Years Ended December 31, 2024 and 2023



The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Consolidated Financial Statements  
Years Ended December 31, 2024 and 2023

<b>Independent Auditor's Report</b>	3-4
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	6
Consolidated Statements of Operations	7
Consolidated Statements of Changes in Stockholder's Deficit	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-27



## **Independent Auditor's Report**

Board of Directors  
JF Holdings Corp.  
Raleigh, North Carolina

### ***Opinion***

We have audited the consolidated financial statements of JF Holdings Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in stockholder's deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*BDO USA, P.C.*

April 28, 2025



**JF Holdings Corp.**

**Consolidated Balance Sheets**

<i>December 31,</i>	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,418,470	\$ 8,304,631
Restricted cash	7,886,449	4,623,379
Accounts receivable, net	120,956,082	112,526,480
Inventories	87,256,677	84,538,915
Contract assets	14,638,825	11,807,818
Other current assets	12,280,173	9,124,469
Total current assets	249,436,676	230,925,692
Property and equipment, net	7,217,221	6,821,531
Operating lease right-of-use asset, net	17,282,425	15,567,356
Finance lease right-of-use asset	31,966,354	21,366,610
Goodwill, net	45,851,491	52,308,714
Intangibles, net	14,453,749	20,262,735
Other assets	542,660	200,809
Total assets	<u>\$ 366,750,576</u>	<u>\$ 347,453,447</u>
<b>Liabilities and Stockholder's Deficit</b>		
Current liabilities:		
Accounts payable	\$ 74,739,766	\$ 61,706,489
Accrued expenses	6,810,169	11,306,115
Accrued payroll and benefits	9,817,612	8,246,458
Income tax payable	541,011	571,303
Current portion of operating lease liability	4,363,382	4,235,219
Current portion of finance lease liability	12,589,013	8,855,033
Current installments of long-term debt	2,127,630	2,127,450
Customer deposits	17,991,120	17,104,085
Contract liabilities	12,591,822	8,463,602
Other current liabilities	8,594,391	1,450,000
Total current liabilities	150,165,916	124,065,754
Long-term liabilities:		
Line of credit	7,000,000	—
Long-term operating lease liability, net of current portion	13,870,188	11,910,581
Long-term finance lease liability, net of current portion	20,795,564	14,123,438
Long-term debt, net of current portion and unamortized debt issuance costs	203,824,196	205,169,563
Other liabilities	—	7,899,298
Total liabilities	<u>395,655,864</u>	<u>363,168,634</u>
Commitments and contingences (Note 12)		
Stockholder's deficit:		
Common stock, \$0.01 par value, 1,000 shares authorized; 1 share issued and outstanding	143,269,512	143,269,512
Accumulated deficit	<u>(172,174,800)</u>	<u>(158,984,699)</u>
Total stockholder's deficit	<u>(28,905,288)</u>	<u>(15,715,187)</u>
Total liabilities and stockholder's deficit	<u>\$ 366,750,576</u>	<u>\$ 347,453,447</u>

*See accompanying notes to consolidated financial statements.*

**JF Holdings Corp.**

**Consolidated Statements of Operations**

<i>For the year ended December 31,</i>	2024	2023
<b>Revenues:</b>		
Parts and equipment	\$336,691,910	\$283,851,274
Service and installation	527,711,916	306,888,223
	<u>864,403,826</u>	<u>590,739,497</u>
<b>Cost of sales</b>	<b>685,259,421</b>	<b>472,208,570</b>
Gross profit	179,144,405	118,530,927
Selling, general and administrative expenses	149,403,275	113,741,394
Depreciation and amortization	16,664,271	12,852,495
Income (loss) from operations	<u>13,076,859</u>	<u>(8,062,962)</u>
<b>Other (expense) income:</b>		
Interest expense	(27,000,019)	(20,773,983)
Other income	1,195,318	2,585,935
Total other expense, net	<u>(25,804,701)</u>	<u>(18,188,048)</u>
Loss before income tax	(12,727,842)	(26,251,010)
Income tax expense (benefit)	462,259	(611,345)
Net loss	<u>\$ (13,190,101)</u>	<u>\$ (25,639,665)</u>

*See accompanying notes to consolidated financial statements.*

**JF Holdings Corp.****Consolidated Statements of Changes in Stockholder's Deficit**

	<u>Common Stock</u>		<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
Balance at December 31, 2022	1	\$140,362,096	\$(133,345,034)	\$ 7,017,062
Contribution from stockholder	—	2,907,416	—	2,907,416
Net loss	—	—	(25,639,665)	(25,639,665)
Balance at December 31, 2023	1	143,269,512	(158,984,699)	(15,715,187)
Net loss	—	—	(13,190,101)	(13,190,101)
Balance at December 31, 2024	1	\$143,269,512	\$(172,174,800)	\$(28,905,288)

*See accompanying notes to consolidated financial statements.*

**JF Holdings Corp.**

**Consolidated Statements of Cash Flows**

<i>For the year ended December 31,</i>	2024	2023
<b>Cash flows from operating activities:</b>		
Net loss	<b>\$(13,190,101)</b>	\$(25,639,665)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Debt issuance cost amortization	782,263	687,749
Depreciation and amortization	26,230,155	19,981,514
Non-cash lease (income) expense	(237,390)	133,712
Changes in operating assets and liabilities, net of impact of acquisitions:		
Accounts receivable	(8,429,602)	9,086,699
Inventory	(2,717,762)	(1,480,859)
Contract assets	(2,831,007)	960,572
Other current assets	(3,155,704)	(1,129,953)
Other assets	(341,851)	212,107
Accounts payable	13,033,277	(4,193,987)
Accrued expenses	(4,495,946)	3,686,932
Accrued payroll and benefits	1,571,154	1,511,499
Income tax payable	(30,292)	(767,811)
Customer deposits	887,035	25,802
Contract liabilities	4,128,220	660,099
Other Liabilities	(754,907)	—
Net cash provided by operating activities	<b>10,447,542</b>	3,734,410
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,902,500)	(1,052,510)
Proceeds from sale of property and equipment	147,526	326,500
Acquisition of Miller, net of cash acquired	—	(3,543,000)
Acquisition of Jones Covey, net of cash acquired	—	(31,082,539)
Acquisition of MIBA, net of cash acquired	—	(6,549,327)
Net cash used in investing activities	<b>(1,754,974)</b>	(41,900,876)
<b>Cash flows from financing activities:</b>		
Payments on line of credit	—	(11,000,000)
Proceeds from line of credit	7,000,000	—
Payments on term debt	(2,127,450)	(1,555,588)
Proceeds from term debt	—	60,000,000
Payments on finance lease liabilities	(12,188,208)	(8,574,496)
Deferred financing costs	—	(1,200,000)
Contribution from stockholder	—	2,907,416
Net cash (provided by) used in financing activities	<b>(7,315,658)</b>	40,577,332
Net increase in cash, cash equivalents and restricted cash	<b>1,376,909</b>	2,410,866
Cash, cash equivalents and restricted cash at beginning of year	<b>12,928,010</b>	10,517,144
Cash, cash equivalents and restricted cash at end of year	<b>\$ 14,304,919</b>	<b>\$ 12,928,010</b>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<b>\$ 27,761,179</b>	\$ 16,880,568

*See accompanying notes to consolidated financial statements.*

**1. Nature of Business and Significant Accounting Policies**

***Nature of Business***

MidOcean JF Holdings Corp. was formed on December 30, 2011 to facilitate the purchase of JF Acquisition, LLC by certain institutional investors, in partnership with members of the Company's management. Effective November 20, 2023, MidOcean JF Holdings Corp. changed its legal name to JF Holdings Corp. (the "Company").

The Company is primarily engaged in the business of selling, servicing, and installing fluid handling equipment and related products. It conducts operations throughout the United States of America.

***Use of Estimates***

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

***Basis of Presentation and Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), as set forth in the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC"). The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with a remaining maturity of three months or less at the date of purchase to be cash equivalents. The Company reclassifies any bank overdrafts for outstanding checks to accounts payable. Restricted cash consists of construction bonds.

***Accounts Receivable***

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Retainage receivable are recorded on service and installation contracts and include billed and unbilled amounts for services and materials provided to customers for which the Company has an unconditional right to payment. Bill and unbilled amounts for which payment is contingent on anything other than the passage of time are included in contract assets and contract liabilities on a net basis at the individual contract level. The Company maintains an allowance for credit losses for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Accounts receivable write-offs were approximately \$1.2 million and \$0.3 million during the years ended December 31, 2024 and 2023, respectively.

***Inventories***

Inventories consist of parts and supplies and are valued at the lower of cost or net realizable value as determined using the average cost method. Provisions are recorded to reduce inventory for obsolete or slow-moving inventory based on assumptions about future demand and marketability of products. As of December 31, 2024 and 2023, the valuation allowance for inventory totaled approximately \$16.0 million and \$14.6 million, respectively.

***Property and Equipment***

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset.

Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred. Major renewals and betterments are capitalized. The cost of assets retired or sold, together with their related accumulated depreciation, is removed from the accounts and any gain or loss on disposition is credited or charged to operations.

***Goodwill***

The Company has elected to amortize goodwill on a straight-line basis over 10 years. In addition, the Company has elected to test goodwill for impairment at the entity level whenever events or changes in circumstances indicate that the carrying amount of goodwill may not be recovered. Upon occurrence of a triggering event, the Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the Company is less than its carrying amount. If the Company determines it is more-likely-than-not that the fair value of the Company is less than its carrying value, the Company will perform a one-step impairment test and recognize an impairment loss for the amount by which the carrying amount exceeds its fair value. The Company did not record any impairment for the years ended December 31, 2024 or 2023.

***Long-lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. The Company did not record any impairment for the years ended December 31, 2024 or 2023.

***Revenue and Cost Recognition***

The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products and services are transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those goods and services. This process involves identifying the customer contract, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it (a) provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and (b) is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of goods and services to a customer, meaning the customer has the ability to use and obtain the benefit of the related asset. The Company's products are sold to customers throughout the United States.

Payment terms and conditions may vary by contract, although terms generally include a requirement of payment within 30-60 days after the performance obligation has been satisfied. As customer payment terms are typically less than one year, the Company has applied the practical expedient to exclude consideration of significant financing components from the determination of the transaction price. Costs to obtain contracts are generally not significant and are expensed in the period incurred. In addition, contracts with customers typically contain variable consideration in the form of early pay discounts and sales returns. The Company estimates the variable consideration, based on prior experience and current trends, and records a reduction to the sales price for the estimated variable consideration associated with the transaction. The total amount of variable consideration is not material. Taxes assessed by a government authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from sales.

Revenue associated with parts and equipment sales is recognized when the performance obligation has been satisfied and the control has been transferred to a customer, which generally occurs upon shipment. Contracts with customers generally state the terms of the sale, including the quantity and price of each product purchased, along with any related discounts. Shipping and handling costs associated with outbound freight, after control over a product has transferred to a customer, are accounted for as a fulfillment cost and are included in cost of sales as incurred. For revenue transactions recognized under bill-and-hold arrangements, control transfers to the customer when the customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the product even though it has decided not to exercise its right to take physical possession of that product.

Revenue associated with contracts from service and installation projects, including the respective parts and equipment, is recognized over time as the Company's performance creates or enhances assets that are controlled by the customer. These contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and, therefore, is not distinct.

Notes to Consolidated Financial Statements

---

The contract types are generally comprised of either a time and material contract or a fixed-price contract. For time and material contracts, revenue is recognized primarily on an input basis, based on contract costs incurred as defined within the respective contracts. For fixed price contracts, revenue is measured by the costs incurred to date relative to the estimated total direct costs to fulfill each contract (cost-to-cost method). Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, materials and overhead.

Revenue recognized at a point in time was approximately \$287 million and \$250 million for the years ended December 31, 2024 and 2023, respectively. Revenue recognized over time was approximately \$577 million and \$341 million for the years ended December 31, 2024 and 2023, respectively.

Contract assets primarily represent revenue earnings over time that are not yet billable based on the terms of the contracts or billed and unbilled amounts for which payment is contingent on anything other than the passage of time. Retainage included in contract assets totaled approximately \$6.0 million and \$4.3 at December 31, 2024 and 2023, respectively.

The Company does not have any impairment losses associated with contracts with customers for the years ended December 31, 2024 and 2023. Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company's revenue recognition criteria described above. Customer deposits for equipment sales are also considered contract liabilities and are presented separately within the consolidated balance sheets.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Additionally, both contract assets and contract liabilities are classified as current on the consolidated balance sheets as the Company expects to complete the related performance obligations and invoice the customers within one year of the balance sheet date.

***Fair Value Measurements***

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

Notes to Consolidated Financial Statements

---

The carrying value approximates the fair value of receivables, payables, and accrued expenses based upon the short-term nature of these amounts. Borrowings under the line of credit and term notes as of December 31, 2024 and 2023 have variable interest rates that reflect currently available terms and conditions for similar debt. The carrying amount of this debt is a reasonable estimate of its fair value (level 2).

***Income Taxes***

Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more-likely-than-not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses.

***Advertising***

Advertising costs are expensed as incurred. Advertising expenses included within selling, general and administrative expenses in the accompanying consolidated statements of operations were not material during the years ended December 31, 2024 and 2023.

***Business Combinations***

The Company includes the results of operations of the businesses that it acquires as of the respective dates of acquisition. The Company records the fair value of the assets acquired and liabilities assumed as of the acquisition date. The excess of the fair value of the purchase price over the fair values of assets acquired and liabilities assumed is recorded as goodwill. The determination of the value and useful lives of the intangible assets acquired are valued using income and cost approaches and involve certain judgments and estimates which the Company considers to be Level 3 inputs. See Note 2 for further discussion of the Company's business combinations.

***Leases***

The Company adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) effective January 1, 2022, using the optional transition method. Upon the adoption of Topic 842, the Company has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.

Notes to Consolidated Financial Statements

---

The Company has also elected the following practical expedients: (1) not to separate lease components from non-lease components, and (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less.

At the lease commencement date, the Company determines if a lease should be classified as an operating or a finance lease, and it recognized a corresponding lease liability and a right-of-use asset on the consolidated balance sheet. The lease liability is initially and subsequently measured as the present value of the remaining fixed minimum rental payments using discount rates as of the commencement date. The right-of-use asset is initially and subsequently measured at the carrying amount of the lease liability adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use asset.

Right-of-use assets are assessed for impairment using the long-lived assets impairment guidance. No impairments have been recorded during the years ended December 31, 2024 and 2023.

For finance leases, the Company accounts for lease agreements with contractually required lease and non-lease components on a combined basis pursuant to lease accounting guidance. For operating leases, the Company separates lease and non-lease components and capitalizes only the contractually required lease payments. Variable payments for operating leases (including most utilities, real estate taxes, insurance and variable common area maintenance) are expensed as incurred.

Short term leases and other insignificant leases are not recorded on the consolidated balance sheets but are expensed on a straight-line basis over the lease term.

Discount Rate

Under Topic 842, the discount rate used to calculate the lease liability should be the rate implicit in the lease if that rate can be readily determined. However, if the rate implicit in the lease cannot be readily determined, the Company will use the incremental borrowing rate ("IBR") as the discount rate.

The Company's IBR represents the rate of interest that the Company would have to pay to borrow funds on a collateralized basis over a similar term to the lease term. The Company will determine the IBR based on several factors, including creditworthiness, the underlying asset, the term of the lease, and the economic environment. The Company generally uses a portfolio approach to determine the IBR for leases with similar characteristics.

It is important to note that the Company's IBR may change over time due to changes in market conditions or creditworthiness. Therefore, the Company will need to reassess the IBR on a periodic basis, at least annually or when there is a significant event that may impact borrowing costs.

**Debt Issuance Costs**

In accordance with ASC 835, *Debt and Equity Financing*, costs associated with issuing debt, such as various fees and commissions are capitalized and reflected in the accompanying consolidated balance sheets as a contra long-term liability, and amortized over the finite life of the underlying debt instrument. These costs are included in interest expense using the effective interest method. The unamortized amounts are presented as a reduction of the total debt in the accompanying consolidated balance sheets. Accumulated amortization was approximately \$3.2 million and \$2.5 million as of December 31, 2024 and 2023, respectively, and amortization expense was approximately \$0.8 million and \$0.7 million for the years ended December 31, 2024 and 2023, respectively. Original debt issuance costs were approximately \$4.5 million as of December 31, 2024 and 2023.

**Recently Issued Accounting Pronouncements**

In October 2021, the FASB issued Accounting Standards Update (“ASU”) No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 as if it had originated the contracts. The amendments in this update improve comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. This update was effective for annual periods beginning after December 15, 2023, including interim periods within those fiscal years. The adoption of this ASU did not have a material effect on the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in ASU 2023-09 require greater disaggregation of income tax disclosures related to the income tax rate reconciliation and income taxes paid. In addition, the amendments required (1) disclosure of income (or loss) from continuing operations from income tax expense (or benefit) disaggregated between domestic and foreign and (2) disclosure of income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The amendments in the ASU also eliminate (1) the requirement for all entities to (a) disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months or (b) make a statement that an estimate of the range cannot be made; and (2) the requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted. The amendments in this ASU should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the effect that ASU 2023-09 will have on the consolidated financial statements and notes to the consolidated financial statements.

## Notes to Consolidated Financial Statements

**2. Business Combinations***MIBA, INC.*

On December 19, 2023, the Company acquired 100% of the equity interests of MIBA, INC. (“MIBA”) for consideration of approximately \$7.7 million. MIBA is a premier Midwestern U.S. general contracting, petroleum services, and construction company, headquartered in Dayton, Ohio, that also provides maintenance, repair, and compliance testing services. The Company has included MIBA’s operating results from the date of the acquisition in the accompanying consolidated financial statements. This acquisition resulted in goodwill of approximately \$5.8 million related to customer relationships, synergies, and opportunities for growth through geographic expansion. The goodwill is expected to be deductible for tax purposes. Acquisition related costs of approximately \$0.3 million are included in selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2023.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows:

Acquisition consideration:	
Cash	\$ 7,281,035
Deferred cash consideration	450,000
Fair value of consideration transferred	<u>\$ 7,731,035</u>
Recognized amount of identifiable assets acquired and assumed liabilities:	
Cash	\$ 731,708
Accounts receivable	2,815,700
Inventories	870,858
Other current assets	1,105,552
Accounts payable	(2,150,887)
Accrued expenses	<u>(1,458,671)</u>
Total identifiable net assets	1,914,261
Goodwill	<u>5,816,774</u>
Total net assets acquired	<u>\$ 7,731,035</u>

From the acquisition date through December 31, 2023, MIBA contributed net sales of approximately \$0.5 million and net loss of approximately \$0.3 million, which has been included in the Company’s consolidated statement of operations.

## Notes to Consolidated Financial Statements

*Jones/Covey Group Incorporated*

On October 31, 2023, the Company acquired 100% of the equity interests of Jones/Covey Incorporated (“Jones Covey”) for consideration of approximately \$40.3 million, with approximately \$6.8 million of that amount scheduled as deferred payment due on June 30, 2025. Jones Covey is a premier national general contracting and construction company, headquartered in Southern California, that also provides maintenance, repair and compliance testing services in the Western US. The Company has included Jones Covey’s operating results from the date of the acquisition in the accompanying consolidated financial statements. This acquisition resulted in goodwill of approximately \$20.2 million related to customer relationships, synergies, and opportunities for growth through geographic expansion. The goodwill is expected to be deductible for tax purposes. Acquisition related costs of approximately \$0.5 million are included in the accompanying consolidated statement of operations for the year ended December 31, 2023.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows:

Acquisition consideration:	
Cash	\$ 33,550,094
Deferred cash consideration	6,785,890
Fair value of consideration transferred	<u>\$ 40,335,984</u>
Identifiable assets acquired and liabilities assumed:	
Cash	\$ 2,467,555
Accounts receivable	19,447,892
Inventories	4,707,414
Contract asset	1,787,668
Other current assets	2,035,632
Property and equipment	3,115,853
Intangibles	3,000,000
Accounts payable	(11,015,314)
Accrued expenses	(3,535,991)
Contract liabilities	<u>(1,920,563)</u>
Total identifiable net assets	20,090,146
Goodwill	<u>20,245,838</u>
Total	<u>\$ 40,335,984</u>

From the acquisition date through December 31, 2023, Jones Covey contributed net sales of approximately \$13.7 million and net loss of approximately \$1.2 million, which has been included in the Company’s consolidated statement of operations. The deferred cash consideration is included in other current liabilities on the accompanying consolidated balance sheet as of December 31, 2024 and other liabilities as of December 31, 2023.

## Notes to Consolidated Financial Statements

*Miller Construction Management, LLC*

On August 1, 2023, the Company acquired 100% of the equity interests of Miller Construction Management, LLC (“MCM”) for consideration of approximately \$5.5 million. MCM is a commercially certified, multi-industry contractor serving commercial and retail installation, construction sectors with specialized turn-key solutions for ground ups, remodels and building additions. The acquisition of MCM bolsters JF’s General Contracting offering and expands its General Contracting reach across the Southeast and Gulf Coast regions. The Company has included MCM’s operating results from the date of the acquisition in the accompanying consolidated financial statements. This acquisition resulted in goodwill of approximately \$4.6 million related to customer relationships, synergies, and opportunities for growth through geographic expansion. The goodwill is expected to be deductible for tax purposes. Acquisition related costs of approximately \$0.3 million are included in selling, general and administrative expenses in the accompanying consolidated statement of operations for the year ended December 31, 2023.

The Company determined the fair value of the tangible and intangible assets and the liabilities acquired, and recorded goodwill based on the excess of fair value of the acquisition consideration over such fair values, as follows:

Acquisition consideration:	
Cash	\$ 3,543,000
Deferred cash consideration	<u>2,000,000</u>
Fair value of consideration transferred	<u>\$ 5,543,000</u>
Identifiable assets acquired and liabilities assumed:	
Accounts receivable	\$ 3,305,031
Other current assets	463,945
Accounts payable	(2,262,694)
Accrued liabilities	<u>(530,570)</u>
Total identifiable net assets	975,712
Goodwill	<u>4,567,288</u>
Total net assets acquired	<u>\$ 5,543,000</u>

From the acquisition date through December 31, 2023, MCM contributed net sales of approximately \$10.2 million and net profit of approximately \$0.1 million, which has been included in the Company’s consolidated statement of operations. The \$2.0 million of deferred cash is expected to be paid in installments for approximately \$0.5 million commencing January 2024 and continuing every six months until July 2025. As of December 31, 2024, \$1.0 million of deferred cash is included in other current liabilities on the accompanying consolidated balance sheet. As of December 31, 2023, \$1.0 million of deferred cash consideration is included in other current liabilities on the accompanying consolidated balance sheet, and \$1.0 million is included in other liabilities on the accompanying consolidated balance sheet.

Notes to Consolidated Financial Statements

3. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following as of December 31:

	<u>2024</u>			
	<u>Weighted average remaining amortization period</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
Amortizing intangible assets:				
Customer list	3 years	\$45,750,499	\$(39,185,266)	\$ 6,565,233
Trademark and tradename	3 years	30,209,000	(22,320,484)	7,888,516
Total		\$75,959,499	\$(61,505,750)	\$14,453,749
Goodwill	7 years	\$64,651,249	\$(18,799,759)	\$45,851,491
	<u>2023</u>			
	<u>Weighted average remaining amortization period</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Net carrying amount</u>
Amortizing intangible assets:				
Customer list	4 years	\$45,750,499	\$(36,135,233)	\$ 9,615,266
Trademark and tradename	4 years	30,209,000	(19,561,531)	10,647,469
Total		\$75,959,499	\$(55,696,764)	\$20,262,735
Goodwill	8 years	\$64,651,249	\$(12,342,535)	\$52,308,714

The changes in the carrying amount of goodwill and intangible assets are as follows for the years ended December 31:

<u>2024</u>	<u>Goodwill</u>	<u>Intangibles</u>
Balance at beginning of year	\$52,308,714	\$20,262,735
Amortization expense	(6,457,223)	(5,808,986)
Balance at end of year	\$45,851,491	\$14,453,749
<u>2023</u>	<u>Goodwill</u>	<u>Intangibles</u>
Balance at beginning of year	\$25,593,898	\$23,787,217
Acquired	30,651,449	3,000,000
Amortization expense	(3,936,633)	(6,524,481)
Balance at end of year	\$52,308,714	\$20,262,735

Notes to Consolidated Financial Statements

Estimated amortization expense for each of the next five years is as follows:

2025	<b>\$11,967,451</b>
2026	<b>11,207,459</b>
2027	<b>7,921,992</b>
2028	<b>7,230,025</b>
2029	<b>6,178,552</b>
Thereafter	<b>15,799,761</b>
	<b><u>\$60,305,240</u></b>

**4. Accounts Receivable**

Accounts receivable consisted of the following as of December 31:

	2024	2023
Trade receivables	<b>\$106,058,376</b>	\$ 97,556,368
Retainage receivables	<b>8,909,625</b>	4,100,081
Rebates receivable	<b>5,922,241</b>	12,882,510
Other receivables	<b>2,360,440</b>	1,306,194
	<b>123,250,682</b>	115,845,153
Less allowance for credit losses	<b>(2,294,600)</b>	(3,318,673)
	<b><u>\$120,956,082</u></b>	<b><u>\$112,526,480</u></b>

**5. Property and Equipment**

Property and equipment consisted of the following as of December 31:

	Useful Lives (Years)	2024	2023
Autos & trucks	3-7	<b>\$ 9,715,133</b>	\$ 10,163,071
Furniture & equipment	3-10	<b>4,857,631</b>	4,323,228
Computer software	3-5	<b>9,287,077</b>	8,407,143
Machinery & equipment	3-10	<b>6,526,907</b>	5,996,898
Leasehold improvements	3-10	<b>1,892,012</b>	1,633,446
Less accumulated depreciation		<b>(25,061,540)</b>	(23,702,255)
		<b><u>\$ 7,217,221</u></b>	<b><u>\$ 6,821,531</u></b>

Depreciation and amortization expense for property and equipment for the years ended December 31, 2024 and 2023 was approximately \$1.4 million and \$0.8 million, respectively.

Notes to Consolidated Financial Statements

**6. Long-term Debt**

The Company entered into a \$119.5 million credit agreement on July 31, 2019, which includes a revolving line of credit and a debt facility. The credit facility includes multiple lenders, one of which is a stockholder of the Company's ultimate parent. During the years 2021, 2022, and 2023, the agreement was amended to increase the credit agreement by \$17 million, \$30 million and \$60 million, respectively, for a total amount of \$226.5 million.

***Revolving Line of Credit***

The Company has a \$12.5 million revolving line of credit. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's stockholder. The revolving line of credit expires on July 31, 2026 and bears interest on either a floating rate equal to the Base Rate plus the Applicable Margin or SOFR plus the Applicable Margin. The Applicable Margin is based on the Company's leverage ratio and is 4.5% for Base Rate loans and 5.5% for SOFR loans. The effective interest rate was approximately 9.92% and 10.98% at December 31, 2024 and 2023, respectively. The Base Rate is equal to the higher of the Prime Rate or the Federal Funds Rate plus 0.5%, and SOFR is subject to a 1.0% minimum floor. The unused portion of the revolving line of credit bears interest at 0.5%. The balance totaled \$7.0 million and zero at December 31, 2024 and 2023, respectively.

***Debt Facility***

The Company has a credit agreement that includes a term note. Borrowings are secured by substantially all of the assets of the Company and guaranteed by the Company's stockholder. The term note matures on July 31, 2026 and bears interest on either a floating rate equal to the Base Rate plus the Applicable Margin or SOFR plus the Applicable Margin. The Applicable Margin is based on the Company's leverage ratio and is 4.5% for Base Rate loans and 5.5% for SOFR loans. The Base Rate is equal to the higher of the Prime Rate or the Federal Funds Rate plus 0.5%, and SOFR is subject to a 1.0% minimum floor. The effective interest rate was 9.92% and 10.98% at December 31, 2024 and 2023, respectively.

Aggregate principal maturities required on the debt facility as of December 31, 2024 are as follows:

2025	<b>\$ 2,127,630</b>
2026	<b>205,071,832</b>
	<b><u>\$207,199,462</u></b>
Less:	
Unamortized debt issuance costs	<b>1,247,636</b>
Current installments	<b>2,127,630</b>
Long-term debt, net unamortized debt issuance costs	<b><u>\$203,824,196</u></b>

The Company's credit agreement contains certain covenants, which among other things, require the Company to maintain certain financial ratios. The Company was in compliance with these covenants as of December 31, 2024.

## Notes to Consolidated Financial Statements

## 7. Income Taxes

Income tax expense (benefit) consisted of the following for the years ended December 31:

	2024	2023
Current income tax		
Federal	\$287,842	\$(966,630)
State	174,417	355,285
Total	<u>\$462,259</u>	<u>\$(611,345)</u>
Deferred income tax		
Federal	\$ —	\$ —
State	—	—
Total	—	—
Total provision for income taxes	<u>\$462,259</u>	<u>\$(611,345)</u>

Income tax expense differs from the amounts that would result from applying the federal statutory rate of 21% to the Company's loss before income tax expense as follows for the years ended December 31:

	2024	2023
Expected tax expense	\$(2,780,082)	\$ (4,819,723)
State income taxes, net of federal benefit	(293,070)	(486,455)
Change in tax rate	(943,727)	(192,833)
Change in valuation allowance	4,913,319	16,788,225
Permanent differences	(223,187)	434,073
Other	(210,993)	53,500
Deferred tax adjustment - Section 382 limitation	—	(12,388,132)
Total	<u>\$ 462,259</u>	<u>\$ (611,345)</u>

Notes to Consolidated Financial Statements

Temporary differences that give rise to the components of deferred tax assets and liabilities are as follows:

	2024	2023
<b>Deferred Tax Assets:</b>		
Allowance for doubtful accounts	\$ 564,218	\$ 695,517
Inventory reserve	4,538,945	3,940,016
Net operating loss	14,976,957	13,331,915
Accrued expenses	1,150,290	1,475,837
Intangibles and property and equipment	—	3,450,629
Lease liability	4,333,843	8,942,102
Interest expense	15,250,405	9,022,097
Other	131,174	162,818
Total deferred tax assets	<u>40,945,834</u>	<u>41,020,931</u>
<b>Deferred Tax Liabilities:</b>		
Right-of-use assets	(4,226,434)	(8,874,800)
Intangibles and property and equipment	(4,102,821)	—
Total deferred tax liabilities	<u>(8,329,256)</u>	<u>(8,874,800)</u>
Net deferred tax assets	<u>32,616,957</u>	<u>32,146,131</u>
Less: valuation allowance	<u>(32,616,957)</u>	<u>(32,146,131)</u>
<b>Net Deferred Tax Asset</b>	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2024 and 2023, the Company has federal net operating losses of \$57.2 million and \$53.9 million, respectively. The net operating loss of \$41 million, generated pre-2018 will expire between 2034 and 2037. The \$20 million generated in 2018 – 2023 can be carried forward indefinitely, subject to 80% taxable income limitation. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income exclusive of scheduled reversal of deferred tax liabilities, and tax-planning strategies in making this assessment. Based upon the level of historical book losses, management believes it is not more-likely than-not that the Company will realize the benefits of these deductible differences, and accordingly, has a valuation allowance in the amount of approximately \$32.6 million and \$32.1 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, the Company does not have any material unrecognized tax benefits and accordingly has not recorded any interest or penalties related to unrecognized tax benefits. The Company's policy is to record interest as part of tax expense. The Company files a consolidated federal return and various state returns. These returns remain subject to examination by taxing authorities for the years 2013 through 2023 due to net operating loss carryforward.

## Notes to Consolidated Financial Statements

Pursuant to Section 382 of the Internal Revenue Code, or IRC, annual use of the Company's net operating loss (NOL) carryforwards may be limited in the event a cumulative change in ownership of more than 50% occurs within a three-year period. Such ownership change could result in annual limitations on the utilization of tax attributes, including NOL carryforwards and tax credits. The Company is in process of performing an estimated analysis to determine if any ownership changes occurred would limit the utilization of the tax attributes.

**8. Leases**

The Company has lease commitments with third parties under various finance and operating leases for office facilities, trucks, machinery and office equipment. Operating leases generally contain renewal options for periods ranging from 5 to 7 years. Because the Company is not reasonably certain to exercise these non-binding renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from future minimum lease payments. Rent expense totaled \$5.2 million and \$4.1 million for the years ended December 31, 2024 and 2023, respectively.

The following table provides quantitative information concerning the Company's operating and finance leases as of and for the years ended December 31:

	2024	2023
<b>Lease Cost</b>		
Amortization of right-to-use assets - finance leases	<b>\$11,899,021</b>	\$ 8,700,991
Interest on lease cost	<b>1,948,586</b>	1,479,159
Operating lease cost	<b>5,260,683</b>	4,077,301
Variable lease cost	<b>1,434,739</b>	966,396
Total Lease Cost	<b><u>\$20,543,029</u></b>	<u>\$15,223,847</u>
<b>Other Information</b>		
Finance lease - operating cash flows	<b>\$ 1,936,034</b>	\$ 1,448,276
Finance lease - financing cash flows	<b>\$11,652,936</b>	\$ 8,548,735
Operating lease - operating cash flows	<b>\$ 8,783,992</b>	\$ 7,226,459
<b>Right-of-use Assets Obtained in Exchange for Lease Liabilities:</b>		
Operating leases	<b>\$ 6,246,278</b>	\$ 6,985,242
Finance leases	<b>\$23,095,354</b>	\$11,684,403
Weighted average remaining lease term - finance leases	<b>3.10 yrs</b>	2.97 yrs
Weighted average remaining lease term - operating leases	<b>4.97 yrs</b>	4.77 yrs
Weighted average discount rate - finance leases	<b>6.64%</b>	10.18%
Weighted average discount rate - operating leases	<b><u>8.49%</u></b>	<u>7.33%</u>

Notes to Consolidated Financial Statements

The following table is a maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2024:

<u>Maturity</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 5,674,947	\$14,463,522
2026	5,073,251	10,687,547
2027	3,952,499	7,702,180
2028	2,985,665	3,458,833
2029	1,957,977	622,849
In Agregate thereafter	3,462,639	469,473
<b>Total</b>	<b><u>\$23,106,978</u></b>	<b><u>\$37,404,404</u></b>
Less interest	<b><u>\$ (4,873,408)</u></b>	<b><u>\$ (4,019,827)</u></b>
Present Value of Lease Liabilities	<b><u>\$18,233,570</u></b>	<b><u>\$33,384,577</u></b>

**9. Employee Benefit Plan**

The Company provides a tax-qualified employee savings and retirement plan, commonly known as a 401(k) plan (the “Plan”), which covers the Company’s eligible employees. Pursuant to the Plan, employees may elect to reduce their current compensation up to the IRS annual contribution limit. The amount contributed to the Plan is on a pre-tax basis.

The Company provides for discretionary matching contributions as determined by the Board of Directors for each calendar year. All matching contributions vest based on length of service, participants are 100% vested after 4 years of service. The program during fiscal 2024 and 2023 matched \$0.50 for every Dollar contributed by the employee up to the first 3% of pay in 2023, and starting January 1, 2024, up to the first 4% of pay. The Company’s matching contributions to the Plan totaled approximately \$3.8 million and \$1.9 million for the years ended December 31, 2024 and 2023, respectively.

**10. Related Party Transactions**

The MCM acquisition described in Note 2 resulted in \$2 million of deferred cash consideration to the seller. This seller has continued with the acquired entity as a key member of management.

A stockholder of the Company’s ultimate parent is one of the lenders in the Company’s credit facility (Note 6). The stockholder’s portion of the credit facility was approximately \$60 million as of December 31, 2024 and 2024.

Notes to Consolidated Financial Statements

---

**11. Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to credit risks consist principally of uninsured bank deposits and trade accounts receivable. The Company's policy is to place its cash deposits with high-credit quality financial institutions and at times cash accounts may exceed FDIC insurance limits. The Company has never experienced any losses related to these balances. The Company routinely assesses the financial strength of its customers and believes that its trade receivable credit risk exposure is limited. The Company does not require collateral relating to its trade receivables.

During the year ended December 31, 2024, the Company had sales to one customer totaling approximately 15% of total revenues. During the year ended December 31, 2023, the Company had no customer that accounted for more than 10% of total revenues.

During the years ended December 31, 2024 and 2023, the Company made purchases from one vendor totaling approximately 21% and 26% of total purchases, respectively.

**12. Commitments and Contingences**

The Company is periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. Management does not expect the ultimate resolution of these actions to have a material effect on the Company's financial position.

**13. Subsequent Events**

The Company evaluated the effects of all subsequent events from December 31, 2024, through April 28, 2025, the date the consolidated financial statements were available for issuance, and did not identify any additional items that would materially affect the consolidated financial statements or require additional disclosure.