

Williams Industrial Services Group Inc.
Form 10-Q
August 14, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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 No. 001-16501

Williams Industrial Services Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	73-1541378
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

400 E. Las Colinas Blvd., Suite 400

Irving, TX 75039

(Address of principal executive offices) (Zip code)

(214) 574-2700

(Registrant's telephone number, including area code)

Global Power Equipment Group Inc.

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 9, 2018, there were 18,498,982 shares of common stock of Williams Industrial Services Group Inc. outstanding.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

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Part I—FINANCIAL INFORMATION

Item 1. Financial Statements.

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share data)	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,136	\$ 4,594
Restricted cash	6,568	11,562
Accounts receivable, net of allowance of \$1,014 and \$1,568, respectively	21,613	26,060
Costs and estimated earnings in excess of billings	14,115	11,487
Other current assets	1,638	4,006
Current assets of discontinued operations	21,271	27,922
Total current assets	70,341	85,631
Property, plant and equipment, net	1,175	1,712
Goodwill	35,400	35,400
Intangible assets	12,500	12,500
Other long-term assets	1,545	573
Total assets	\$ 120,961	\$ 135,816
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,269	\$ 5,080
Accrued compensation and benefits	10,516	7,481
Billings in excess of costs and estimated earnings	6,106	7,049
Other current liabilities	5,199	5,552
Current liabilities of discontinued operations	22,364	28,802
Total current liabilities	49,454	53,964
Long-term debt, net	25,717	24,304
Deferred tax liabilities	10,324	9,921
Other long-term liabilities	1,496	2,390
Long-term liabilities of discontinued operations	2,406	3,110
Total liabilities	89,397	93,689
Commitments and contingencies (Note 8 and 10)		
Stockholders' equity:		
Common stock, \$0.01 par value, 170,000,000 shares authorized and 19,715,605 and 19,360,026 shares issued, respectively, and 18,486,758 and 17,946,386 shares outstanding, respectively	197	193
Paid-in capital	79,823	78,910
Retained earnings (deficit)	(48,444)	(36,962)
Treasury stock, at par (1,228,847 and 1,413,640 common shares, respectively)	(12)	(14)

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Total stockholders' equity	31,564	42,127
Total liabilities and stockholders' equity	\$ 120,961	\$ 135,816

See accompanying notes to condensed consolidated financial statements.

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WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 47,975	\$ 57,981	\$ 91,096	\$ 103,613
Cost of revenue	41,228	51,227	77,899	98,414
Gross profit	6,747	6,754	13,197	5,199
Selling and marketing expenses	476	717	902	1,284
General and administrative expenses	9,751	8,593	16,341	18,138
Depreciation and amortization expense	220	329	441	664
Total operating expenses	10,447	9,639	17,684	20,086
Operating loss	(3,700)	(2,885)	(4,487)	(14,887)
Interest expense, net	2,397	2,243	3,775	3,944
Gain on sale of business and net assets held for sale	—	—	—	(239)
Other (income) expense, net	(293)	1	(505)	—
Total other (income) expenses, net	2,104	2,244	3,270	3,705
Loss from continuing operations before income tax expense (benefit)	(5,804)	(5,129)	(7,757)	(18,592)
Income tax expense (benefit)	220	300	505	(1,538)
Loss from continuing operations	(6,024)	(5,429)	(8,262)	(17,054)
Loss from discontinued operations before income tax expense (benefit)	(2,195)	(4,523)	(3,903)	(8,767)
Income tax expense (benefit)	(725)	241	(683)	1,220
Loss from discontinued operations	(1,470)	(4,764)	(3,220)	(9,987)
Net loss	\$ (7,494)	\$ (10,193)	\$ (11,482)	\$ (27,041)
Basic loss per common share				
Loss from continuing operations	\$ (0.33)	\$ (0.31)	\$ (0.46)	\$ (0.97)
Loss from discontinued operations	(0.08)	(0.27)	(0.18)	(0.57)
Basic loss per common share	\$ (0.41)	\$ (0.58)	\$ (0.64)	\$ (1.54)
Diluted loss per common share				
Loss from continuing operations	\$ (0.33)	\$ (0.31)	\$ (0.46)	\$ (0.97)
Loss from discontinued operations	(0.08)	(0.27)	(0.18)	(0.57)
Diluted loss per common share	\$ (0.41)	\$ (0.58)	\$ (0.64)	\$ (1.54)

See accompanying notes to condensed consolidated financial statements.

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WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

(in thousands)	Three Months Ended		Six Months Ended June	
	June 30, 2018	2017	30, 2018	2017
Net loss	\$ (7,494)	\$ (10,193)	\$ (11,482)	\$ (27,041)
Foreign currency translation adjustment	—	1,507	—	2,096
Comprehensive loss	\$ (7,494)	\$ (8,686)	\$ (11,482)	\$ (24,945)

See accompanying notes to condensed consolidated financial statements.

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WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands, except share data)	Common Shares \$0.01 Per Share		Paid-in Capital	Retained Earnings (deficit)	Treasury Shares		Total
	Shares	Amount			Shares	Amount	
Balance, December 31, 2017	19,360,026	\$ 193	\$ 78,910	\$ (36,962)	(1,413,640)	\$ (14)	\$ 42,127
Issuance of restricted stock units	355,579	4	(4)	—	308,523	4	4
Tax withholding on restricted stock units	—	—	(326)	—	(123,730)	(2)	(328)
Stock-based compensation	—	—	1,243	—	—	—	1,243
Net loss	—	—	—	(11,482)	—	—	(11,482)
Balance, June 30, 2018	19,715,605	\$ 197	\$ 79,823	\$ (48,444)	(1,228,847)	\$ (12)	\$ 31,564

See accompanying notes to condensed consolidated financial statements.

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WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)	Six Months Ended June 30,	
	2018	2017
Operating activities:		
Net loss	\$ (11,482)	\$ (27,041)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Net loss from discontinued operations	3,220	9,987
Deferred income tax expense (benefit)	403	(1,602)
Depreciation and amortization on plant, property and equipment and intangible assets	441	664
Amortization of deferred financing costs	219	81
Loss on disposals of property, plant and equipment	210	30
Gain on sale of business and net assets held for sale	—	(239)
Bad debt expense	(67)	45
Stock-based compensation	507	1,429
Payable-in-kind interest	1,301	531
Changes in operating assets and liabilities, net of business sold:		
Accounts receivable	4,514	(6,212)
Costs and estimated earnings in excess of billings	(2,628)	4,379
Other current assets	2,368	5,928
Other assets	(1,079)	2,572
Accounts payable	189	(1,008)
Accrued and other liabilities	2,608	(4,110)
Billings in excess of costs and estimated earnings	(943)	1,475
Net cash provided by (used in) operating activities, continuing operations	(219)	(13,091)
Net cash provided by (used in) operating activities, discontinued operations	(4,110)	7,374
Net cash provided by (used in) operating activities	(4,329)	(5,717)
Investing activities:		
Proceeds from sale of business, net of restricted cash and transaction costs	—	20,206
Purchase of property, plant and equipment	(114)	(11)
Other investing activities	—	3,286
Net cash provided by (used in) investing activities, continuing operations	(114)	23,481
Net cash provided by (used in) investing activities, discontinued operations	319	(573)
Net cash provided by (used in) investing activities	205	22,908
Financing activities:		
Repurchase of stock-based awards for payment of statutory taxes due on stock-based compensation	(328)	(223)
Debt issuance costs	—	(1,704)
Dividends paid	—	(9)
Proceeds from long-term debt	—	161,599
Payments of long-term debt	—	(165,515)
Net cash provided by (used in) financing activities, continuing operations	(328)	(5,852)
Net cash provided by (used in) financing activities, discontinued operations	—	—
Net cash provided by (used in) financing activities	(328)	(5,852)

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Effect of exchange rate change on cash, continuing operations	—	25
Effect of exchange rate change on cash, discontinued operations	—	261
Effect of exchange rate change on cash	—	286
Net change in cash, cash equivalents and restricted cash	(4,452)	11,625
Cash, cash equivalents and restricted cash, beginning of period	16,156	11,570
Cash, cash equivalents and restricted cash, end of period	\$ 11,704	\$ 23,195
Supplemental Disclosures:		
Cash paid for interest	\$ 1,498	\$ 3,416
Cash paid for income taxes, net of refunds	\$ 16	\$ 992
Noncash repayment of revolving credit facility	\$ —	\$ (36,224)
Noncash upfront fee related to senior secured term loan facility	\$ —	\$ (3,150)

See accompanying notes to condensed consolidated financial statements.

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WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1—BUSINESS AND BASIS OF PRESENTATION

Business

Effective June 29, 2018, Global Power Equipment Group Inc. changed its name to Williams Industrial Services Group Inc. (“Williams,” the “Company,” “we,” “us” or “our”) to better align its name with the Williams business. The Company’s stock began trading on the OTC Pink® Marketplace under the new ticker symbol “WLMS.” Williams has been safely helping plant owners and operators enhance asset value for more than 50 years. The Company provides a broad range of general and specialty construction, maintenance and modification, and plant management support services to the nuclear, hydro and fossil power generation, pulp and paper, refining, petrochemical and other process and manufacturing industries. The Company’s mission is to be the preferred provider of construction, maintenance, and specialty services through commitment to superior safety performance, focus on innovation, and dedication to delivering unsurpassed value to its customers.

Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) on a basis consistent with that used in the Annual Report on Form 10-K for the year ended December 31, 2017 filed by the Company with the United States (the “U.S.”) Securities and Exchange Commission (“SEC”) on April 16, 2018 (the “2017 Report”) and include all normal recurring adjustments necessary to present fairly the unaudited condensed consolidated balance sheets and statements of operations, comprehensive loss, cash flows and stockholders’ equity for the periods indicated. All significant intercompany transactions have been eliminated. These notes should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the 2017 Report. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end. The results of operations for the three and six month periods are not necessarily indicative of the results to be expected for the full year.

The Company reports on a fiscal quarter basis utilizing a “modified” 4-4-5 calendar (modified in that the fiscal year always begins on January 1 and ends on December 31). However, the Company has continued to label its quarterly information using a calendar convention. The effects of this practice are modest and only exist when comparing interim period results. The reporting periods and corresponding fiscal interim periods are as follows:

Reporting Interim Period	Fiscal Interim Period	
	2018	2017
Three Months Ended March 31	January 1, 2018 to April 1, 2018	January 1, 2017 to April 2, 2017
Three Months Ended June 30	April 2, 2018 to July 1, 2018	April 3, 2017 to July 2, 2017
Three Months Ended September 30	July 2, 2018 to September 30, 2018	July 3, 2017 to October 1, 2017

NOTE 2—LIQUIDITY

The Company's condensed consolidated financial statements have been prepared on a going concern basis, which assumes that it will be able to meet its obligations and continue its operations during the twelve-month period following the issuance of this Quarterly Report on Form 10-Q for the three and six months ended June 30, 2018 (this "Form 10-Q"). These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Management has assessed the Company's financial condition and has concluded that the following factors, taken in the aggregate, raise substantial doubt regarding the Company's ability to continue as a going concern for the twelve-month period following the issuance of this Form 10-Q:

- For the past several years, the Company has incurred both net losses and negative cash flows from operations.
- For the three and six months ended June 30, 2018, the Company had a net loss (including discontinued operations) of \$7.5 million and \$11.5 million, respectively.
- As of both June 30, 2018 and December 31, 2017, Koontz-Wagner Custom Controls Holdings LLC ("Koontz-Wagner"), a wholly owned subsidiary of the Company and the sole component of the Electrical Solutions

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segment was presented as a discontinued operation. However, Koontz-Wagner has continued to incur operating losses resulting in its bankruptcy filing in July 2018. Please refer to “Note 12–Subsequent Events” for additional discussion on the bankruptcy filing.

- The Company’s liquidity has been, and is currently projected to remain, very constrained. The Company’s lack of access to readily available capital resources and unexpected delays in collecting projected cash receipts could create significant liquidity problems.
- Under the Centre Lane Facility (as defined below), tax refunds and/or any extraordinary receipts in excess of \$0.5 million in the aggregate in any fiscal year, with the exception of \$3.7 million of certain future cash receipts waived in the Fourth Amendment (as defined below), must be used to prepay amounts outstanding under the Centre Lane Facility.
- The Fourth Amendment to the Centre Lane Facility required prepayment of all outstanding amounts due and payable on the earlier of (i) May 31, 2019, (ii) the date Williams Industrial Services Group, LLC and its subsidiaries are sold or (iii) the date of acceleration of the loans pursuant to an additional event of default.

Management’s mitigation plans, which aim to alleviate the factors that caused the substantial doubt, include the following:

- In July 2018, the Company entered into a Fifth Amendment to the Centre Lane Facility (as defined below) which extended the required prepayment of all outstanding amounts due and payable to the earlier of April 1, 2020 or the date of acceleration of loans pursuant to an additional event of default.
- The Fifth Amendment to the Centre Lane Facility also extended the first required date for the Company to satisfy the total leverage and fixed charge coverage ratios to June 30, 2020.
- In April 2018, as part of the Fourth Amendment to the Centre Lane Facility, the Company negotiated a \$3.0 million Incremental Loan Commitment the Company can draw upon in minimum increments of \$1.0 million. This Loan Commitment can provide emergency funding to the Company in the event of a cash shortfall.
 - The Company aggressively pursued the sale of Koontz-Wagner while concurrently initiating the closure of one of Koontz-Wagner’s leased facilities to streamline its operations in an effort to curtail further losses and negative cash flows. The Company was ultimately unsuccessful in completing the sale, and on July 11, 2018, Koontz-Wagner filed for bankruptcy protection under Chapter 7 of the U.S. Bankruptcy Code (the “Code”). Koontz-Wagner used \$3.6 million of cash during the first six months of 2018. The Company could incur additional liabilities associated with the shutdown of Koontz-Wagner. Please refer to “Note 12–Subsequent Events” for additional discussion on the bankruptcy filing.
- With the more streamlined company structure resulting from the completed disposal of Mechanical Solutions and the bankruptcy of Koontz-Wagner, the Company accelerated plans to significantly reduce its corporate headquarters costs, including headcount.

While management believes its mitigation plans alleviate the substantial doubt regarding the Company’s ability to continue as a going concern during the ensuing twelve-month period, there can be no assurances management will be successful, and investors could lose the full value of their investment in the Company’s common stock if bankruptcy protection is ultimately sought.

NOTE 3—RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In the first quarter of 2018, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-18, “Restricted Cash (a consensus of the FASB Emerging Issues Task Force).” ASU 2016-18 requires an entity to include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. The Company adopted ASU 2016-18 on a retrospective basis, and net transfers of restricted cash of \$5.0 million and \$2.6 million have been presented in net change in cash and cash equivalents in the condensed consolidated statements of cash flows for the six months ended

June 30, 2018 and 2017, respectively.

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In the first quarter of 2018, the Company adopted ASU 2016-15, “Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments.” ASU 2016-15 requires an entity to classify distributions received from equity method investees in the statement of cash flows using either the cumulative earnings approach or the nature of distribution approach. The Company adopted ASU 2016-15 on a retrospective basis and elected to classify distributions received from its equity method investees using the cumulative earnings approach. The adoption of ASU 2016-15 did not have an impact on the condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, respectively.

In the first quarter of 2018, the Company adopted ASU 2014-09 (ASC Topic 606), “Revenue from Contracts with Customers,” and the related ASUs, which provided new guidance for revenue recognized from contracts with customers and replaced the previously existing revenue recognition guidance. ASU 2014-09 requires that revenue be recognized at an amount the Company is entitled to upon transferring control of goods or services to customers, as opposed to when risks and rewards transfer to a customer. The Company adopted ASC Topic 606 using the modified retrospective method, and accordingly, the new guidance was applied retrospectively to contracts that were not completed as of December 31, 2017. Results for operating periods beginning after January 1, 2018 are presented under ASC Topic 606, while comparative information for prior periods has not been restated and continues to be reported in accordance with the accounting standards in effect for those periods. The adoption of ASC Topic 606 did not result in changes to the method or timing of revenue recognized and did not have a material impact on the Company’s financial position, results of operations and cash flows as of and for the three and six months ended June 30, 2018.

There was no material difference in the Company’s results for the three and six months ended June 30, 2018 with application of ASC Topic 606 on its contracts and what results would have been if such contracts had been reported using accounting standards previously in effect for such contracts. The Company elected to utilize the modified retrospective transition practical expedient that allows the Company to evaluate the impact of contract modifications as of January 1, 2018 rather than evaluating the impact of the modifications at the time they occurred. There was no material impact associated with the election of this practical expedient.

The Company also elected to utilize the practical expedient to recognize revenue in the amount to which it has a right to invoice for services performed when it has a right to consideration from a customer in an amount that corresponds directly with the value of its performance completed to date.

Please refer to “Note 5–Revenue” for additional discussion of the Company’s revenue recognition accounting policies and expanded disclosures required by ASC Topic 606.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07, “Improvements to Nonemployee Share-Based Payment Accounting,” which expands the scope of ASC Topic 718, “Compensation–Stock Compensation” and applies to all share-based payment transactions to nonemployees in which a grantor acquires goods and services to be used or consumed in a grantor’s own operations by issuing share-based awards. Upon adoption of ASU 2018-07, an entity should only remeasure liability-classified awards that have not been settled by the date of adoption and equity-classified awards for which a measurement date has not been established through a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year of adoption. ASU 2018-07 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of ASU 2018-07 to have a material impact on its financial position, results of operations and cash flows.

In February 2018, the FASB issued ASU 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” which gives entities the option to reclassify the tax effects stranded in accumulated other comprehensive income as a result of the enactment of comprehensive tax legislation in December 2017, commonly

referred to as the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), to retained earnings. ASU 2018-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of ASU 2018-02 to have a material impact on its financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, “Leases.” The primary difference between the current requirement under GAAP and ASU 2016-02 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. ASU 2016-02 requires that a lessee recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB

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retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases), while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied in current lease accounting. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018, and early adoption is permitted. ASU 2016-02 must be adopted using a modified retrospective transition, and provides for certain practical expedients. The Company has not determined the potential impact of the adoption of ASU 2016-02 on its financial position, results of operations and cash flows.

NOTE 4—CHANGES IN BUSINESS

Discontinued Operations

During the fourth quarter of 2017, the Company made the decision to exit and sell its Electrical Solutions segment (which is comprised solely of Koontz-Wagner, a wholly owned subsidiary of the Company) in an effort to reduce the Company's outstanding term debt. The Company determined that the decision to exit this segment met the definition of a discontinued operation. As a result, this segment has been presented as a discontinued operation for all periods presented. As a result of the Company's decision to sell the Electrical Solutions segment, the Company performed an impairment analysis on this segment's finite- and indefinite-lived intangible assets (customer relationships and trade names, respectively) and determined that their carrying value exceeded their fair value. As a result, in the fourth quarter of 2017, the Company recorded an impairment charge of \$9.7 million related to these intangible assets. After the impairment charge, the fair value of this segment's intangible assets was zero at December 31, 2017. Determining fair value is judgmental in nature and requires the use of significant estimates and assumptions, considered to be Level 3 inputs. There were no other non-recurring fair value remeasurements related to the Electrical Solutions segment during the year ended December 31, 2017 or three and six months ended June 30, 2018.

In spite of the Company's efforts, which included retaining financial advisors to sell all or part of Koontz-Wagner's operations, inside or outside of a federal bankruptcy or state court proceeding (including Chapter 11 of Title 11 of the Code), the proposed disposition did not progress as planned due, primarily, to the absence of viable bids in the sale process, the inability of Koontz-Wagner to fund its ongoing operations or obtain financing to do so, and Koontz-Wagner's deteriorating financial performance. As a result, on July 11, 2018, Koontz-Wagner filed a voluntary petition for relief under Chapter 7 of Title 11 of the Code with the U.S. Bankruptcy Court for the Southern District of Texas. The filing was for Koontz-Wagner only, not for the Company as a whole, and was completely separate and distinct from the Williams business and operations. Please refer to "Note 12 – Subsequent Events" for additional discussion on the bankruptcy filing.

During the third quarter of 2017, the Company made the decision to exit and sell substantially all of the operating assets and liabilities of its Mechanical Solutions segment in an effort to reduce the Company's outstanding term debt. The Company determined that the decision to exit this segment met the definition of a discontinued operation. As a result, this segment has been presented as a discontinued operation for all periods presented. The Mechanical Solutions and the Electrical Solutions segments were the only components of the business that qualified for discontinued operations for all periods presented.

On October 11, 2017, the Company sold substantially all of the operating assets and liabilities of its Mechanical Solutions segment for \$43.0 million and used a portion of the proceeds to pay down \$34.0 million of the Company's outstanding debt and related fees, including full repayment of the First-Out Loan (as defined below). Additionally, on October 31, 2017, the Company completed the sale of its manufacturing facility in Mexico and auctioned the remaining production equipment and other assets for net proceeds of \$3.6 million, of which \$1.9 million was used to

reduce the principal amount of the Initial Centre Lane Facility (as defined below). The remainder was used to fund working capital requirements. In the fourth quarter of 2017, the Company recorded a total gain of \$6.3 million related to these sales.

The Company excluded an asset and liability from the sale of the Mechanical Solutions segment, which were comprised of the Company's office building located in Heerlen, Netherlands and its liability for uncertain tax positions. The liability was included in long-term liabilities of discontinued operations in the June 30, 2018 and December 31, 2017 condensed consolidated balance sheets. The asset was included in current assets of discontinued operations in the December 31, 2017 condensed consolidated balance sheet. At the time the Heerlen office building met the "asset held for sale" criteria, its carrying value was \$0.5 million; however, the Company subsequently determined that the building's carrying value exceeded its fair value and, consequently, it recorded an impairment charge of \$0.2 million during the fourth quarter of 2017. The impairment charge was included in loss from discontinued operations before income tax expense (benefit) in the consolidated statement of operations for the year ended December 31, 2017. After the impairment charge, the fair value of the Heerlen building was \$0.3 million at December 31, 2017. Determining fair value is judgmental in nature and requires the use of significant estimates and assumptions, considered to be Level 3 inputs. There were no other non-recurring fair value remeasurements related to the

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Mechanical Solutions segment during the year ended December 31, 2017.

On March 21, 2018, the Company closed on the sale of its office building in Heerlen, Netherlands for \$0.3 million, resulting in an immaterial gain on sale, which was reflected in loss from discontinued operations before income tax expense (benefit) in the Company's condensed consolidated statement of operations for the six months ended June 30, 2018.

In connection with the sale of its Mechanical Solutions segment, the Company entered into a transition services agreement with the purchaser to provide certain accounting and administrative services for an initial period of nine months. For each of the three and six months ended June 30, 2018, the Company provided \$0.1 million and \$0.2 million, respectively, in services for the purchaser, which was included in general and administrative expenses from continuing operations in the condensed consolidated statement of operations.

The following table presents a reconciliation of the carrying amounts of major classes of assets and liabilities of discontinued operations:

(in thousands)	June 30, 2018	December 31, 2017
Assets:		
Accounts receivable	\$ 5,465	\$ 12,296
Inventories, net	483	178
Cost and estimated earnings in excess of billings	11,379	11,325
Other current assets	597	493
Property, plant and equipment, net	3,347	3,630
Current assets of discontinued operations*	\$ 21,271	\$ 27,922
Liabilities:		
Accounts payable	\$ 8,927	\$ 7,004
Accrued compensation and benefits	1,315	1,191
Billings in excess of costs and estimated earnings	1,519	948
Accrued warranties	1,109	1,166
Other current liabilities	9,494	18,493
Current liabilities of discontinued operations	22,364	28,802
Liability for uncertain tax positions	2,406	3,110
Long-term liabilities of discontinued operations	2,406	3,110
Total liabilities of discontinued operations	\$ 24,770	\$ 31,912

* The total assets of discontinued operations were classified as current on the June 30, 2018 and December 31, 2017 condensed consolidated balance sheets because it was probable that a sale will occur and proceeds will be collected within one year.

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The following table presents a reconciliation of the major classes of line items constituting the net income (loss) from discontinued operations. In accordance with GAAP, the amounts in the table below do not include an allocation of corporate overhead.

(in thousands)	Three Months Ended		Six Months Ended June	
	June 30, 2018	2017	2018	2017
Revenue				
Electrical Solutions	\$ 6,197	\$ 10,532	\$ 19,041	\$ 24,079
Mechanical Solutions	—	17,901	—	34,579
Total revenue	6,197	28,433	19,041	58,658
Cost of revenue				
Electrical Solutions	6,868	12,560	20,323	27,730
Mechanical Solutions	—	14,963	—	28,493
Total cost of revenue	6,868	27,523	20,323	56,223
Selling and marketing expenses	234	1,141	173	2,410
General and administrative expenses	1,223	4,124	2,366	8,463
Gain on disposal - Mechanical Solutions	115	—	91	—
Other	(48)	168	(9)	329
Income (loss) from discontinued operations before income taxes	(2,195)	(4,523)	(3,903)	(8,767)
Income tax expense (benefit)	(725)	241	(683)	1,220
Income (loss) from discontinued operations	\$ (1,470)	\$ (4,764)	\$ (3,220)	\$ (9,987)
Disposition of Hetsco				

In June 2016, the Company engaged a financial advisor to assist with the sale of its wholly owned subsidiary, Hetsco, Inc. (“Hetsco”), in order to pay down debt. Hetsco was previously included in the Services segment. In connection with the Company’s decision to sell Hetsco, the net assets were adjusted to estimated fair value less estimated selling expenses, which resulted in a write-down of \$8.3 million in 2016.

On January 13, 2017, the Company sold the stock of Hetsco for \$23.2 million in cash, inclusive of working capital adjustments. After transaction costs and an escrow withholding of \$1.5 million, the net proceeds of \$20.2 million were used to reduce debt. In connection with the Company’s decision to sell Hetsco, the net assets were adjusted to estimated fair value less estimated selling expenses, which resulted in a write-down of \$8.3 million in 2016. In the first quarter of 2017, the Company recorded a \$0.2 million adjustment, which reduced the \$8.3 million loss recorded in 2016.

A summary of Hetsco’s income before income taxes for the three and six months ended June 30, 2018 and 2017 was as follows:

(in thousands)	Three		Six Months	
	Months	Months	Months	Months
	Ended June	Ended June	Ended June	Ended June
	30,	30,	30,	30,
	2018	2017	2018	2017
Income before income taxes	\$ —	\$ —	\$ —	\$ 489

NOTE 5—REVENUE

The Company provides a comprehensive range of maintenance, modification and construction support services for nuclear power plants and a wide range of utility and industrial customers in the fossil fuel, industrial gas, natural gas and petrochemical industries, as well as other industrial operations. The Company provides these services in the U.S. both on a constant presence basis and for discrete projects. The services the Company provides are designed to improve or sustain operating efficiencies and extend the useful lives of process equipment.

The Company's contracts are awarded on a competitively bid and negotiated basis and the timing of revenue recognition is impacted by the terms of such contracts. The Company enters into a variety of contract structures, including cost plus reimbursement contracts and fixed-price contracts. The determination of contract structure is based on the scope of work, complexity and project length, and customer preference of contract terms. Cost plus contracts represent the majority of the Company's contracts. There were no direct and incremental costs to the acquisition of a new contract that required a deferral of costs.

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Performance obligations

A performance obligation is a contractual promise to transfer a distinct good or service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. To the extent a contract is deemed to have multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract. In addition, certain contracts may be combined and deemed to be a single performance obligation.

The majority of the Company's contracts are in the form of master service agreements, basic ordering agreements and other similar agreements, and related subsequent purchase orders, contract work authorizations and other similar agreements. The Company's purchase orders, contract work authorizations and other similar agreements are generally deemed to be single performance obligations, and its contracts with multiple performance obligations were not material during the three and six months ended June 30, 2018. The Company's performance obligations are satisfied over time because the services provided create or enhance a customer-controlled asset. Therefore, the Company recognizes revenue in the same period the services are performed. For cost-plus reimbursement contracts, revenue is recognized when services are performed and contractually billable based on an agreed-upon price for the completed services or based on the agreed-upon hours incurred and agreed-upon hourly rates. Revenue on fixed-price contracts is recognized and invoiced over time using the cost-to-cost percentage-of-completion method. The Company does not adjust the price of the contract for the effects of a significant financing component. Change orders are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation.

Variable consideration

The Company's contracts may include several types of variable consideration, including unapproved change orders and claims, incentives, penalties and liquidated damages. The Company estimates the amount of revenue to be recognized on variable consideration using estimation methods that best predict the amount of consideration to which the Company expects to be entitled or expects to incur. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company's estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of its anticipated performance and all information (historical, current and forecasted) that is reasonably available. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis.

The Company generally provides a limited warranty for a term of two years or less following completion of services performed under its contracts. Historically, warranty claims have not resulted in material costs incurred.

Disaggregation of revenue

Disaggregated revenue by type of contract was as follows.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
(in thousands)		

Cost-plus reimbursement contracts	\$ 39,332	\$ 73,109
Fixed-price contracts	8,643	17,987
Total	\$ 47,975	\$ 91,096

Contract balances

The Company enters into contracts that allow for periodic billings over the contract term that are dependent upon specific advance billing terms, as services are provided, or milestone billings based on completion of certain phases of work. Projects with performance obligations recognized over time that have costs and estimated earnings recognized to date in excess of cumulative billings are reported in the Company's condensed consolidated balance sheet as costs and estimated earnings in excess of billings (i.e., contract assets). Projects with performance obligations recognized over time that have cumulative billings in excess of costs and estimated earnings recognized to date are reported in the Company's condensed consolidated balance sheet as billings in excess of costs and estimated earnings (i.e., contract liabilities). At any point in time, each project in process could have either costs and estimated earnings in excess of billings or billings in excess of costs and estimated earnings.

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The following table provides information about contract assets and contract liabilities from contracts with customers. The table also includes changes in the contract assets and the contract liabilities balances during the period.

(in thousands)	June 30, 2018		December 31, 2017 (1)	
	Asset	Liability	Asset	Liability
Costs and estimated earnings on contracts in progress	\$ 45,735	\$ (1,886)	\$ 22,274	\$ (422)
Billings on contracts in progress	(31,620)	(4,220)	(10,787)	(6,627)
Contracts in progress, net	\$ 14,115	\$ (6,106)	\$ 11,487	\$ (7,049)

(1) Prior period amounts have not been adjusted for the adoption of ASC Topic 606 under the modified retrospective method.

For the three and six months ended June 30, 2018, the Company recognized revenue of approximately \$2.4 million and \$6.9 million, respectively, that was included in the corresponding contracts in progress liability balance at December 31, 2017.

Transaction price allocated to the remaining performance obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period.

(in thousands)	2019	2020	Thereafter	Total
Fixed-price contracts	\$ 6,500	\$ 6,500	\$ 12,644	25,644

NOTE 6—EARNINGS (LOSS) PER SHARE

As of June 30, 2018, the Company's 18,486,758 shares outstanding included 193,589 shares of contingently issued but unvested restricted stock. As of June 30, 2017, the Company's 17,587,751 shares outstanding included 19,362 shares of contingently issued but unvested restricted stock. Restricted stock is excluded from the calculation of basic weighted average shares outstanding, but its impact, if dilutive, is included in the calculation of diluted weighted average shares outstanding.

Basic earnings (loss) per common share are calculated by dividing net income (loss) by the weighted average common shares outstanding during the period. Diluted earnings (loss) per common share are based on the weighted average common shares outstanding during the period, adjusted for the potential dilutive effect of common shares that would be issued upon the vesting and release of restricted stock awards and units.

Basic and diluted loss per common share from continuing operations were calculated as follows:

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Loss from continuing operations	\$ (6,024)	\$ (5,429)	\$ (8,262)	\$ (17,054)
Basic loss per common share:				
Weighted average common shares outstanding	18,233,226	17,551,664	18,087,368	17,511,232

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Basic loss per common share	\$ (0.33)	\$ (0.31)	\$ (0.46)	\$ (0.97)
Diluted loss per common share:				
Weighted average common shares outstanding	18,233,226	17,551,664	18,087,368	17,511,232
Diluted effect:				
Unvested portion of restricted stock units and awards	—	—	—	—
Weighted average diluted common shares outstanding	18,233,226	17,551,664	18,087,368	17,511,232
Diluted loss per common share	\$ (0.33)	\$ (0.31)	\$ (0.46)	\$ (0.97)

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The weighted average number of shares outstanding used in the computation of basic and diluted loss per common share does not include the effect of the following potential outstanding common stock. The effects of these potentially outstanding shares were not included in the calculation of diluted loss per common share because the effect would have been anti-dilutive.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Unvested service-based restricted stock units and awards	1,515	45,464	1,515	32,413
Unvested performance- and market-based restricted stock units	279,304	861,758	279,304	861,758
Stock options	122,000	122,000	122,000	122,000

NOTE 7—INCOME TAXES

The effective income tax rate for continuing operations for the three and six months ended June 30, 2018 and 2017 was as follows:

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Effective income tax rate for continuing operations	(3.8)%	(5.8)%	(6.5)%	8.3%

The effective income tax rate differs from the statutory federal income tax rate of 21% primarily because of the full valuation allowances recorded on the Company's deferred tax assets.

For the three and six months ended June 30, 2018, the Company recorded income tax expense from continuing operations of \$0.2 million, or (3.8)% of pretax loss from continuing operations, and \$0.5 million, or (6.5)% of pretax loss from continuing operations, respectively, compared with income tax expense from continuing operations of \$0.3 million, or (5.8)% of pretax loss from continuing operations, and income tax benefit from continuing operations of \$1.5 million, or 8.3% of pretax loss from continuing operations, respectively, in the corresponding periods of 2017. The difference between the Company's effective tax rate and the federal statutory tax rate for the three and six months ended June 30, 2018 and 2017 was primarily related to the full valuation allowance recorded on its deferred tax assets.

As of June 30, 2018 and 2017, the Company would have needed to generate approximately \$259.7 million and \$237.6 million, respectively, of future financial taxable income to realize its deferred tax assets.

As of June 30, 2018 and December 31, 2017, the Company provided for a total liability of \$3.1 million and \$3.3 million, respectively, of which \$1.2 million and \$1.4 million, respectively, was related to its discontinued operations, for unrecognized tax benefits related to various federal, foreign and state income tax matters, which was included in long-term deferred tax assets and other long-term liabilities. If recognized, the entire amount of the liability would affect the effective tax rate. As of June 30, 2018, the Company accrued approximately \$2.1 million, of which \$1.7

million was related to its discontinued operations, in other long-term liabilities for potential payment of interest and penalties related to uncertain income tax positions.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin 118 (“SAB 118”), “Income Tax Accounting Implications of the Tax Cuts and Jobs Act,” which provides guidance on accounting for the impact of the Tax Act. SAB 118 was issued to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. Pursuant to the disclosure provisions of SAB 118, as of June 30, 2018, the Company has completed its accounting for the tax effects of the Tax Act. The Company recorded a reasonable estimate of the impact from the Tax Act as of December 31, 2017, but is still analyzing the Tax Act and refining its calculations. Additionally, future guidance from the Internal Revenue Service, the SEC or the FASB could result in changes to the Company’s accounting for the tax effects of the Tax Act.

NOTE 8—DEBT

Centre Lane Term Facility

In June 2017, funds affiliated with Centre Lane purchased and assumed the outstanding debt from the Company’s then-existing lenders under its revolving credit facility (as amended or supplemented from time to time, the “Revolving Credit Facility”). The Company replaced the Revolving Credit Facility with a 4.5-year senior secured term loan facility (the “Initial Centre Lane

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Facility”) with an affiliate of Centre Lane Partners, LLC (“Centre Lane”) as Administrative Agent and Collateral Agent, and the other lenders from time to time party thereto (collectively, the “Lenders”). The Initial Centre Lane Facility is governed by the terms of the Senior Secured Credit Agreement, dated June 16, 2017, as amended by the First Amendment, dated August 17, 2017 (the “First Centre Lane Amendment”), the Limited Waiver and Second Amendment, dated October 11, 2017, the Second Limited Waiver and Third Amendment, dated January 9, 2018, the Third Limited Waiver, dated March 30, 2018, the Fourth Amendment, dated April 13, 2018 (the “Fourth Amendment”), and the Consent and Fifth Amendment, dated July 11, 2018 (the “Fifth Amendment”) (collectively, “the Centre Lane Facility”). While not a party to the Centre Lane Facility, entities associated with Wynnefield Capital, Inc., the Company’s largest equity investor, funded \$6.0 million of the Centre Lane Facility. After payment of the Revolving Credit Facility and fees associated with both the Initial Centre Lane Facility and the First Centre Lane Amendment, net cash proceeds were \$15.3 million.

The Initial Centre Lane Facility provided for an initial loan in an aggregate principal amount of \$45.0 million, and the First Centre Lane Amendment provided for a first-out loan for an additional aggregate principal amount of \$10.0 million (the “First-Out Loan”). The Initial Centre Lane Facility has a maturity date of December 16, 2021. However, the Fourth Amendment imposed a mandatory prepayment of all obligations then outstanding under the Centre Lane Facility on May 31, 2019. Had the First-Out Loan not been paid in full as a result of the sale of Mechanical Solutions in October 2017, described below, it would have matured on September 30, 2018.

The Initial Centre Lane Facility required payment of an annual administration fee of \$25,000 and an upfront fee equal to 7% of the aggregate commitments provided under the Centre Lane Facility. The upfront fee bore interest at a rate of the London Interbank Offered Rate (“LIBOR”) plus 19% annual payable-in-kind (“PIK”) interest. The upfront fee was payable upon the earlier of maturity or the occurrence of certain events, including significant debt prepayments or asset sales that may occur prior to maturity. In addition to those fees, the First Centre Lane Amendment also required the Company to pay an upfront fee equal to 7% of the First-Out Loan commitments, which bore interest at the same rate as the initial upfront fee, and an exit fee equal to 7% of the aggregate outstanding principal amount of the First-Out Loan commitments, which was payable upon the maturity date of the First-Out Loan.

Borrowings under the Centre Lane Facility bear interest at LIBOR plus the sum of 9% per year, payable in cash, plus 10% PIK interest. Cash interest is payable monthly, and the PIK interest accrues to and increases the principal balance on a monthly basis.

On October 11, 2017, the Company sold substantially all of the operating assets and liabilities of its Mechanical Solutions segment and used a portion of the proceeds to pay down \$34.0 million of the Company’s outstanding debt, including full repayment of the First-Out Loan and its related fees as well as the upfront fee on the Initial Centre Lane Facility. This payment satisfied the \$25.0 million prepayment criteria necessary to avoid a PIK rate increase to 15% on January 1, 2018. Additionally, on October 31, 2017, the Company completed the sale of its manufacturing facility in Mexico and auctioned the remaining production equipment and other assets for net proceeds of \$3.6 million, of which \$1.9 million was used to reduce the principal amount of the Initial Centre Lane Facility. The remainder was used to fund working capital requirements.

The Company’s obligations under the Centre Lane Facility are guaranteed by all of its wholly owned domestic subsidiaries, subject to customary exceptions. The Company’s obligations are secured by first priority security interests on substantially all of its assets and those of its wholly owned domestic subsidiaries. This includes 100% of the voting equity interests of the Company’s domestic subsidiaries and certain specified foreign subsidiaries and 65% of the voting equity interests of other directly owned foreign subsidiaries, subject to customary exceptions.

The Company may voluntarily prepay the Centre Lane Facility at any time or from time to time, in whole or in part, in a minimum amount of \$1.0 million of the outstanding principal amount, plus any accrued but unpaid interest on the

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aggregate amount of the term loans being prepaid, plus a prepayment premium, to be calculated as follows (the “Prepayment Premium”):

Period	Prepayment Premium as a Percentage of Aggregate Outstanding Principal Prepaid
June 16, 2017 to June 16, 2018	3%
June 17, 2018 to June 16, 2019	2%
June 17, 2019 to June 16, 2020	1%
After June 16, 2020	0%

Subject to certain exceptions, the Company must prepay an aggregate principal amount equal to 100% of its Excess Cash Flow

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(as defined in the Centre Lane Facility), minus the sum of all voluntary prepayments, within five business days after the date that is 90 days following the end of each fiscal year. The Centre Lane Facility also requires mandatory prepayment of certain amounts in the event the Company or its subsidiaries receive proceeds from certain events and activities, including, among others, asset sales, casualty events, the issuance of indebtedness and equity interests not otherwise permitted under the Centre Lane Facility and the receipt of tax refunds or extraordinary receipts in excess of \$500,000, plus, in certain instances, the applicable Prepayment Premium, calculated as set forth above.

The Centre Lane Facility contains customary representations and warranties, as well as customary affirmative and negative covenants. The Centre Lane Facility contains covenants that may, among other things, limit the Company's ability to incur additional debt, incur liens, make investments or capital expenditures, declare or pay dividends, engage in mergers, acquisitions and dispositions, engage in new lines of business or certain transactions with affiliates and change accounting policies or fiscal year.

Events of default under the Centre Lane Facility include, but are not limited to, a breach of any of the financial covenants or any representations or warranties, failure to timely pay any amounts due and owing, the commencement of any bankruptcy or other insolvency proceeding, judgments in excess of certain acceptable amounts, the occurrence of a change in control, certain events related to ERISA matters and impairment of security interests in collateral or invalidity of guarantees or security documents.

Upon a default under the Centre Lane Facility, the Company's senior secured lenders would have the right to accelerate the then-outstanding amounts under such facility and to exercise their rights and remedies to collect such amounts, which would include foreclosing on collateral constituting substantially all of the Company's assets and those of its subsidiaries. During the third quarter of 2017, the Company made the decision to exit and sell substantially all of the operating assets and liabilities of its Mechanical Solutions segment in an effort to reduce the Company's outstanding term debt. As an initial step in this plan, the Company filed a certificate of dissolution and dissolved its wholly owned inactive subsidiary, Braden Construction Services, Inc., on September 5, 2017. As a result of this dissolution, the Company was in violation of one of its covenants under the Center Lane Facility as of December 31, 2017. On January 9, 2018, the Company entered into a second limited waiver and third amendment to the Centre Lane Facility, which waived the event of default caused by the dissolution and extended the first required date for the Company to satisfy the total leverage and fixed charge coverage ratios to March 31, 2019.

On March 30, 2018, the Company entered into a Third Limited Waiver to the Centre Lane Facility, which extended the delivery date of the 2017 Report and the time period for the required payment of the \$0.3 million net cash proceeds from the sale of the office building in Heerlen, Netherlands, which was sold in March 2018, until May 31, 2018.

On April 13, 2018, the Company entered into the Fourth Amendment to the Centre Lane Facility, which:

- Extended the first required date for the Company to satisfy the total leverage and fixed charge coverage ratios to September 30, 2019.
- Waived the requirement under the Centre Lane Facility to prepay \$3.7 million of certain future cash receipts and any event of default that would otherwise result from failure to pay such amounts (including the \$0.3 million net cash proceeds from the sale of the Heerlen office building and \$2.1 million cash proceeds from the sale of pre-petition receivables due from Westinghouse Electric Company LLC ("Westinghouse"), which filed for bankruptcy in March 2017).
- Provided a \$3.0 million Incremental Loan Commitment, which can be drawn upon in minimum increments of \$1.0 million, which, if utilized, bears interest at the greater of LIBOR plus 19% or 50%.
- Assessed a 1% unused line fee on the Incremental Loan Commitment.