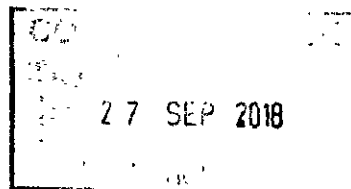


# Celerion Holding International Limited

## Report and Financial Statements

For the year ended 31 December 2017



THURSDAY



\*J7FDZH7L\*

JNI

27/09/2018

#85

COMPANIES HOUSE

# Celerion Holding International Limited

## Contents

|  | Page |
|--|------|
| Directors' and other information         | 2    |
| Strategic report                         | 3    |
| Directors' report                        | 4    |
| Statement of directors' responsibilities | 5    |
| Independent auditors' report             | 6    |
| Profit and loss account                  | 9    |
| Statement of comprehensive income        | 9    |
| Balance sheet                            | 10   |
| Statement of changes in equity           | 11   |
| Notes to financial statements            | 12   |

# **Celerion Holding International Limited**

## **Directors' and other information**

### **Directors**

S Thornton

J Rosal

P Crowley (resigned 18 October 2017)

### **Secretary**

Jordan Company Secretaries Limited

### **Auditors**

Deloitte (NI) Limited

19 Bedford Street

Belfast

BT2 7EJ

### **Bankers**

Wells Fargo, N.A.

1248 O Street

Lincoln, Nebraska 68508

United States

### **Solicitors**

Hogan Lovell International LLP

Atlantic House

Holborn Viaduct

London EC1A 2FG

### **Registered office**

Suite 1, 3rd Floor

11-12 Street

James's Square

London

SW1Y 4LB

## Celerion Holding International Limited

### Strategic report

The Directors of Celerion Holding International Limited present their strategic report for the period ended 31 December 2017.

Celerion Holding International Limited was incorporated on 17 November 2015. On 1 January 2016 the Company acquired the entire share capital of Assign Clinical Research GmbH, Celerion (Canada) Inc., Celerion GB Limited and Celerion Switzerland AG.

### Principal activity

The Company operates as an intermediate parent undertaking within the group of companies headed by CSC Celerion Holdco Corp.

### Business review

The results for the year ended 31 December 2017 show a profit after tax of \$623,277 (2016: loss \$10,243,973). The directors do not recommend the payment of a final dividend (2016: nil).

### Principal risks and uncertainties

The Company's strategy is to follow an approved risk policy, which effectively manages exposures related to the achievement of business objectives. The Company is financed through amounts owned to group undertakings.

The principal risks facing the Company are that group companies would be unable to repay loans and that the investments carried in the Company's balance sheet would not be realised. The objective of the Company is to manage these risks at optimum cost. A continuous forecasting and monitoring process is in place to manage these risks.

To manage risks relating to the recovery of investments and loans owned to the Company, the directors monitor the performance and financial status of the relevant group companies.

Since the Company's borrowings are of a long term nature liquidity rises only in respect of the payment of interest on borrowings. This risk is managed through the receipt of interest on amounts owing from group companies.

Since the Company's borrowing are primarily at fixed rates of interest the directors consider that the Company does not have a significant interest rate risk exposure.


The Company transacts mainly in USD but has some exposure to currency risk through group loan transactions. The directors aim to manage this exposure by entering into both loan receivable and loan payable transactions in the same currencies

### Financial instruments

Financial assets measured at amortised cost comprise of cash and cash equivalents and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise of amounts owed to group undertakings.

This report was approved by the board on 2018 and signed on its behalf by:

  
J Rosal

Director

Date 25 Sep 2018

## **Celerion Holding International Limited**

### **Directors' report**

**Registered No. 09874900**

The directors present their report for the year ended 31 December 2017.

### **Results and dividends**

The results for the year ended 31 December 2017 show a profit after tax of \$ 623,277 (2016 loss of \$10,243,973). The directors do not recommend the payment of a final dividend (2016 – Nil).

### **Future developments**

The Company acts as an intermediate holding company and will continue to provide funding support to its subsidiary undertakings.

### **Going Concern**

The company's business activity, together with the principal risk and uncertainties likely to affect its future performance are described in the Strategic Report.

The Company's forecast and projections show that the Company will have adequate financial resources to enable it to continue to fund its operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

### **Financial instruments**

Details of financial instruments are provided in the Strategic Report.

### **Directors**

The directors who served the Company during the year and since then until approval of the report and financial statements are listed on page 2.

### **Events since the balance sheet date**

There have been no significant events affecting the Company since the balance sheet date.

### **Directors' statement as to disclosure of information to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquires of fellow directors and the Company's auditor, each director has taken all the steps that she is obliged to take as a director in order to make herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act.

### **Auditors**

A resolution to appoint Deloitte (NI) Limited as auditors will be put to the members at the Annual General Meeting. By order of the Board

*JoAnne P Rosal*

J Rosal

Director

Date: 25 Sep 2018

## **Directors' responsibilities statement**

**for the year ended 31 December 2017**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial Statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELERION HOLDING INTERNATIONAL LIMITED**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Celerion Holding International Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. 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 independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELERION HOLDING INTERNATIONAL LIMITED (CONTINUED)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the entity's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELERION HOLDING INTERNATIONAL LIMITED (CONTINUED)**

conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, *including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).*

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

*Dawn Johnston*

Dawn Johnston FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte (NI) Limited  
Statutory Auditor  
Belfast, United Kingdom  
26 September 2018

## Celerion Holding International Limited

### Profit and loss account for the year ended 31 December 2017

|   |       | 31 December<br>2017 | For the period<br>17 November<br>2015 to 31<br>December<br>2016 |
|---|-------|---------------------|---|
|   | Notes | \$                  | \$  |
| Income from subsidiaries  | 3     | 454,404             | 235,095   |
| Administrative expenses   |       | 320,838             | (118,936)   |
| Exceptional costs   | 7     | -                   | (10,172,041)  |
| <b>Operating profit/(loss)</b>                                  | 4     | <b>775,242</b>      | <b>(10,055,882)</b>   |
| Interest receivable and similar income                          | 8     | 210,213             | 64,972  |
| Interest payable and similar expenses                           | 9     | (362,178)           | (253,063)   |
| <b>Profit/(loss) on ordinary activities before<br/>taxation</b> |       | <b>623,277</b>      | <b>(10,243,973)</b>   |
| Tax charge  | 10    | -                   | -   |
| <b>Profit/(loss) for the financial year</b>                     |       | <b>623,277</b>      | <b>(10,243,973)</b>   |

All amounts relate to continuing activities

### Statement of Comprehensive Income for the year ended 31 December 2017

There is no comprehensive income other than the profit attributable to the shareholders of the company of \$623,277 in the year ended 2017 (2016: loss of \$10,243,973).

# Celerion Holding International Limited

## Balance Sheet As at 31 December 2017

Registered Number: 09874900

|   | Notes | 2017<br>\$         | 2016<br>\$         |
|---|-------|--------------------|--------------------|
| <b>Non-current assets</b>                                       |       |                    |                    |
| Investments   | 11    | 5,585,135          | 4,977,780          |
|   |       | <u>5,585,135</u>   | <u>4,977,780</u>   |
| <b>Current assets</b>   |       |                    |                    |
| Debtors:  | 12    |                    |                    |
| - Amounts falling due within one year                           |       | 262,570            | 1,701,216          |
| - Amounts falling due after more than one year                  |       | 5,541,161          | 2,373,705          |
| Cash at bank and in hand  |       | 43,945             | 109,696            |
|   |       | <u>5,847,676</u>   | <u>4,184,617</u>   |
| <b>Current liabilities: amounts falling due within one year</b> | 13    | <u>(249,858)</u>   | <u>(120,000)</u>   |
| <b>Net current assets</b>                                       |       | <u>5,597,818</u>   | <u>4,064,617</u>   |
| <b>Total assets less current liabilities</b>                    |       | <u>11,182,953</u>  | <u>9,042,397</u>   |
| <b>Creditors: amounts falling due after more than one year</b>  | 14    | <u>(7,189,118)</u> | <u>(5,455,431)</u> |
| <b>Net Assets</b>   |       | <u>3,993,835</u>   | <u>3,586,966</u>   |
| <b>Capital and reserves</b>                                     |       |                    |                    |
| Called up share capital-  | 16    | 100                | 100                |
| Capital Contribution  |       | 13,311,920         | 13,683,311         |
| Profit and loss account   |       | (9,318,185)        | (10,096,445)       |
| <b>Shareholders' funds</b>                                      |       | <u>3,993,835</u>   | <u>3,586,966</u>   |

The financial statements were approved for issue by the board of directors on **25 SEPTEMBER 2018** and were signed on behalf of

J Rosal *JoAnne P Rosal*

# Celerion Holding International Limited

## Statement of changes in equity For the year ended 31 December 2017

|   | Called up<br>share<br>capital | Capital<br>contribution<br>reserve | Profit and<br>loss account | Total<br>Equity |
|---|-------------------------------|------------------------------------|----------------------------|-----------------|
|   | \$                            | \$                                 | \$                         | \$              |
| <b>At incorporation</b>                           | 100                           |                                    |                            | 100             |
| Issue of shares                                   | -                             | -                                  | -                          | -               |
| Capital contribution                              | -                             | 13,830,839                         | -                          | 13,830,839      |
| Loss for the period                               | -                             | -                                  | (10,243,973)               | (10,243,973)    |
| Transfer from the capital<br>contribution reserve | -                             | (147,528)                          | 147,528                    | -               |
| <b>At 31 December 2016</b>                        | 100                           | 13,683,311                         | (10,096,445)               | 3,586,966       |
| Capital Contribution                              | -                             | (216,408)                          |                            | (216,408)       |
| Profit for the year                               | -                             | -                                  | 623,277                    | 623,277         |
| Transfer from the capital<br>contribution reserve | -                             | (154,983)                          | 154,983                    | -               |
| <b>At 31 December 2017</b>                        | 100                           | 13,311,920                         | (9,318,185)                | 3,993,835       |

# **Celerion Holding International Limited**

## **Notes to the financial statements at 31 December 2017**

### **1. Corporate information**

Celerion Holding International Limited (the Company) is a private company limited by shares incorporated and domiciled in the United Kingdom. The company was incorporated on 17 November 2015. The registered office is located at Suite 1, 3rd Floor, 11-12 Street, James's Square, London, SW1Y 4LB.

The Company's functional and presentational currency is USD.

### **2. Significant accounting policies**

#### **Basis of preparation of the financial statements**

The Company's financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework" (FRS 101).

The Company is not required to prepare group accounts under Section 401 (1) (a) of the Companies Act 2006 as it is a wholly owned subsidiary of Celerion, Inc., which in turn is a wholly owned subsidiary of CSC Celerion Holdco Corp, a company domiciled in the United States of America. The Company and its subsidiary undertakings are included in CSC Celerion Holdco Corp's consolidated financial statements which are deemed to meet the equivalence requirements of Section 401 (2) (b). The accounts therefore present information in respect of the Company as an individual undertaking and not its group.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The company meets the definition of a qualifying entity under FRS 101 since it is a wholly owned subsidiary of CSC Celerion Holdco Corp which prepares consolidated financial statements which include the company and its subsidiary undertaking.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 Financial Instruments: disclosures, because equivalent disclosures have been provided in the consolidated financial statements of the group in which the entity is consolidated.
- b) the requirements of paragraphs 91 - 99 of IFRS 13 Fair Value Measurement, because equivalent disclosures have been provided in the consolidated financial statements of the group in which the entity is consolidated.
- c) the requirements of IAS 7 Statement of Cash Flows.
- d) the requirements of paragraphs 10(d), 16, 111, 134, 135 and 136 of IAS 1 Presentation of Financial statements.
- e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 2. Significant accounting policies (continued)

#### Basis of preparation of the financial statements (continued)

The consolidated financial statements of CSC Celerion Holdco Corp which include the disclosures above are available from the registered office: 621 Rose Street, Lincoln, Nebraska, United States of America.

The financial statements are presented in USD, which is the functional currency of the company and rounded to the nearest \$.

The principal accounting policies are set out below:

#### Accounting convention

The accounts are prepared under the historical cost convention.

#### Applicability of going concern basis

The company's business activity, together with the principal risk and uncertainties likely to affect its future performance are described in the Strategic Report.

The Company's forecast and projections show that the Company will have adequate financial resources to enable it to continue to fund its operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

#### Company's investment in subsidiary undertakings

The Company recognises its investments in subsidiaries at cost less any recognised impairment loss. Income is recognised in the income statement from these investments only in relation to distributions received. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, including whether the carrying value is impaired as a result of the receipt of dividends.

Investment carrying values comprise both equity investments and loans advanced to subsidiary undertakings. The loan element of investments is stated at amortised cost using the effective interest rate method.

#### Foreign Currency Translation

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates prevailing at the balance sheet date are recognised in the income statement.

#### Tax

##### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

**Notes to the financial statements  
at 31 December 2017**

**2. Significant accounting policies (continued)**

**Tax (continued)**

*Deferred tax (continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Interest receivable and similar income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**Notes to the financial statements  
at 31 December 2017**

**2. Significant accounting policies (continued)**

**Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss or loans and receivables, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

*Cash at bank and in hand*

Cash at bank and in hand comprises cash at bank and in hand and short-term deposits with maturities of three months or less.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. Trade receivables do not carry any interest and are recognised and carried at the lower of their original invoiced value and recoverable amount.

**Notes to the financial statements  
at 31 December 2017**

**2. Significant accounting policies (continued)**

**Financial assets (continued)**

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

*Impairment of financial assets*

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

**Notes to the financial statements  
at 31 December 2017**

**2. Significant accounting policies (continued)**

**Financial liabilities (continued)**

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. This category also applies to trade and other payables which are not interest bearing and stated at their nominal amount.

Below market interest rates loans payable to the parent undertaking are recognised at fair value on initial recognition based on the market rate of interest for similar loans at the date of issue. In case of loans received from a parent undertaking the difference on initial recognition between the fair value and the loan amount is recorded as a capital contribution in equity. Subsequently, an interest expense is recognised within the income statement using the effective interest method so that each loan is stated at the amount repayable or receivable at the redemption date.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

**Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 2. Significant accounting policies (continued)

#### Impairment of non-financial assets (continued)

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### Dividends received

Dividend income is recognised when the shareholders' rights to receive payment have been established.

#### Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

### 3. Income from subsidiary undertakings

|                                    | For the<br>12 Months<br>to 31<br>December<br>2017<br>\$ | For the<br>period 17<br>November<br>2015 to 31<br>December<br>2016<br>\$ |
|------------------------------------|---|--|
| Income from subsidiary undertaking | 454,404   | 235,095  |

### 4. Operating profit / (loss)

|  | For the<br>12 Months<br>to 31<br>December<br>2017<br>\$ | For the<br>period 17<br>November<br>2015 to 31<br>December<br>2016<br>\$ |
|--|---|--|
| The operating loss is stated after charging: |   |  |
| Foreign exchange gain/(loss)                 | 224,858   | (53,930)   |

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 5. Directors remuneration

The directors are remunerated by the ultimate parent undertaking. The amount of that remuneration which relates to qualifying services to the company is considered as negligible.

### 6. Auditors' remuneration

Audit remuneration of \$14,189 has been disclosed within administrative expenses in the profit and loss account. In the prior period, the audit remuneration of £29,000 was borne by a subsidiary undertaking.

### 7. Exceptional items

|                                      | For the<br>12 Months<br>to 31<br>December<br>2017<br>\$ | For the<br>period 17<br>November<br>2015 to 31<br>December<br>2016<br>\$ |
|--------------------------------------|---|--|
| Impairment of fixed asset investment | -   | 10,172,041   |

Exceptional costs related to the impairment expense as a result of the full write down of the Assign Clinical Research GmbH investment following an impairment review as at 31 December 2016.

### 8. Interest receivable and similar income

|                                  | For the<br>12 Months<br>to 31<br>December<br>2017<br>\$ | For the<br>period 17<br>November<br>2015 to 31<br>December<br>2016<br>\$ |
|----------------------------------|---|--|
| Intercompany interest receivable | 210,213   | 64,972   |

### 9. Interest payable and similar charges

|                               | For the<br>12 Months<br>to 31<br>December<br>2017<br>\$ | For the<br>period 17<br>November<br>2015 to 31<br>December<br>2016<br>\$ |
|-------------------------------|---|--|
| Intercompany interest payable | (362,178)   | (253,063)  |

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 10. Tax

#### a) Analysis of charge in the year

|   | 2017<br>\$ | 2016<br>\$ |
|---|------------|------------|
| <b>Current income tax</b>                                     |            |            |
| Current income tax charge                                     | -          | -          |
|   | -          | -          |
| <b>Deferred tax:</b>  |            |            |
| Relating to origination and reversal of temporary differences | -          | -          |
|   | -          | -          |
| <b>Tax charge</b>   | -          | -          |

#### b) Factors affecting the total tax charge

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

|   | For the<br>12 Months<br>to 31<br>December<br>2017<br>\$ | For the<br>period 17<br>November<br>2015 to 31<br>December<br>2016<br>\$ |
|---|---|--|
| Profit/(Loss) on ordinary activities before tax   | 623,277   | (10,243,973)   |
| Profit / (Loss) on ordinary activities multiplied by blended statutory rate of corporation tax in the UK of 19.25 % (2016: 20%) | 119,981   | (2,048,794)  |
| Effects of:   |   |  |
| Disallowed expenses and non-taxable income  | (572)   | 2,057,785  |
| Distribution non taxable  | (87,473)  | (47,019)   |
| Movement on unprovided losses   | (31,936)  | 38,028   |
|   | -   | -  |

#### c) Deferred tax

Deferred tax asset not recognised in the financial statements is as follows:

|                             | 2017<br>\$ | 2016<br>\$ |
|-----------------------------|------------|------------|
| Tax losses available        | (4,121)    | (32,325)   |
| Other temporary differences | -          | 25,080     |
|                             | (4,121)    | (7,245)    |

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 10. Tax (continued)

#### c) Deferred tax (Continued)

The deferred tax asset arising has not been recognised in the financial statements due to the uncertainty over the timing of future suitable taxable profits against which the asset will reverse.

### 11. Investments

| Carrying value of investments in subsidiary undertakings | 2017<br>\$   |
|--|--------------|
| Cost:  |              |
| At 01 January 2017                                       | 15,149,821   |
| Amortised cost adjustment                                | 607,355      |
|  | <hr/>        |
| At 31 December 2017                                      | 15,757,176   |
| Impairment:  |              |
| At 01 January 2017                                       | (10,172,041) |
| Impairment charge for the year                           | -            |
|  | <hr/>        |
| At 31 December 2017                                      | (10,172,041) |
| Net book value:  | <hr/>        |
| At 31 December 2017                                      | 5,585,135    |
|  | <hr/>        |
| At 31 December 2016                                      | 4,977,780    |
|  | <hr/>        |
| Carrying value of investments in subsidiary undertakings | 2016<br>\$   |
| Cost:  |              |
| At incorporation on 17 November 2015                     | -            |
| Additions  | 15,149,821   |
|  | <hr/>        |
| At 31 December 2016                                      | 15,149,821   |
| Impairment:  |              |
| At incorporation on 17 November 2015                     | -            |
| Impairment charge for the period                         | (10,172,041) |
|  | <hr/>        |
| At 31 December 2016                                      | (10,172,041) |
| Net book value:  | <hr/>        |
| At 31 December 2016                                      | 4,977,780    |
|  | <hr/>        |
| At incorporation on 17 November 2015                     | -            |
|  | <hr/>        |

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 11. Investments (continued)

Investment carrying values comprise both equity investments and loans advanced to subsidiary undertakings. The loan element of investments is stated at amortised cost using the effective interest rate method.

On 1 January 2016, the Company acquired the entire share capital of Celerion GB Limited, Celerion (Canada) Inc. and Celerion Switzerland AG from its immediate parent company Celerion Inc. in return for \$4,510,478.

On 1 January 2016, the company acquired the entire share capital of Assign Clinical Research GmbH in return for consideration of \$10,172,041.

Details of the impairment in the prior year is as follows:

In accordance with IAS 36 Impairment of Assets the Company is required to assess whether there is any indication that an asset may be impaired. In the period ended 31 December 2016 the economic performance of certain of the Company's subsidiaries gave rise to such an indication and the recoverable amounts of the investment was determined. This resulted in an impairment loss of \$10,172,041 being recognised in respect of the carrying value of the investment in Assign Clinical Research GmbH in the Company's period ended 31 December 2016 income statement. The calculation was based on the value in use calculation. That calculation was determined using the present value of the cash flow projections based on financial budgets approved by management covering a three year period, with cash flows beyond this assumed to grow at 2%. These cash flows were then discounted at a pre-tax discount rate of 12.4%.

The resultant fair value determined is considered to fall within level 3 of the fair value hierarchy as set out in IFRS 13 – Fair Value Measurement.

Details of the company's subsidiary undertakings are as follows:

| <i>Name of company</i>        | <i>Country of incorporation</i> | <i>Class of shares</i> | <i>of Holding</i> | <i>Nature of business</i> |
|-------------------------------|---------------------------------|------------------------|-------------------|---------------------------|
| Assign Clinical Research GmbH | Austria*                        | Ordinary shares        | 100%              | Clinical Research Company |
| Celerion (Canada) Inc.        | Canada**                        | Ordinary shares        | 100%              | Clinical Research Company |
| Celerion GB Limited           | UK***                           | Ordinary shares        | 100%              | Clinical Research Company |
| Celerion Switzerland AG       | Switzerland****                 | Ordinary shares        | 100%              | Clinical Research Company |

\* Registered office for Austria: Hainburgerstrasse 33, 1030 Vienna

\*\* Registered office for Canada: Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8

\*\*\* Registered office for UK: Suite 1, 3<sup>rd</sup> floor, 11-12<sup>th</sup> Street, James's Square, London, SW1Y 4LB

\*\*\*\* Registered office for Switzerland: Allmendstrasse 32, 8320 Fehraltorf

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 12. Debtors

|   |                   |                   |
|---|-------------------|-------------------|
| Amounts falling due within one year           | <b>2017</b><br>\$ | <b>2016</b><br>\$ |
| Amounts owed by group undertakings            | 262,570           | 1,701,216         |
|   | <u>262,570</u>    | <u>1,701,216</u>  |
| Amounts falling due after more than one year: | <b>2017</b><br>\$ | <b>2016</b><br>\$ |
| Amounts owed by group undertakings            | 5,541,161         | 2,373,705         |
|   | <u>5,541,161</u>  | <u>2,373,705</u>  |

The amounts owned by subsidiary undertakings due after more than one year bear interest at rates ranging from 5.75% to 6.79639% and are repayable on termination between four and five years.

### 13. Creditors: amounts falling due within one year

|   |                   |                   |
|---|-------------------|-------------------|
| Amounts falling due after more than one year: | <b>2017</b><br>\$ | <b>2016</b><br>\$ |
| Trade Creditors                               | -                 | 24,825            |
| Amounts owed to group undertakings            | 235,670           | 95,175            |
| Accrued expenses                              | 14,188            | -                 |
|   | <u>249,858</u>    | <u>120,000</u>    |

### 14. Creditors: amounts falling due after more than one year

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
|                                    | <b>2017</b><br>\$ | <b>2016</b><br>\$ |
| Amounts owed to group undertakings | 7,189,118         | 5,455,431         |
|                                    | <u>7,189,118</u>  | <u>5,455,431</u>  |

The loans with group and parent undertakings are repayable on termination between four and six years and bear interest at rates ranging from 5.75% to 6.79639% per annum.

# Celerion Holding International Limited

## Notes to the financial statements at 31 December 2017

### 15. Financial instruments

|   | 2017        | 2016        |
|---|-------------|-------------|
|   | \$          | \$          |
| Financial assets that are debt instruments measured at amortised cost | 5,847,767   | 4,184,617   |
| Financial liabilities measured at amortised cost                      | (7,424,788) | (5,575,431) |

Financial assets measured at amortised cost comprise of cash and cash equivalents and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise of amounts owed to group undertakings.

### 16. Issued share capital

|                                    | No.  | 2017 | 2016 |
|------------------------------------|------|------|------|
|                                    |      | \$   | \$   |
| Allotted, called up and fully paid |      |      |      |
| Ordinary shares of \$0.10 each     | 1001 | 100  | 100  |

At incorporation on 17 November the Company issued 1,000 ordinary shares at a nominal value of \$0.10 for consideration of \$100.

On 1 January 2016 the Company issued 1 ordinary share at a nominal value of \$0.10 per share for a consideration of \$0.10.

### 17. Reserves

#### Profit and loss account

Profit and loss account represents the distributable reserves of the company.

#### Share capital

The balances classified as share capital represents the proceeds on issue of the company's equity share capital, comprising ordinary shares.

#### Capital Contribution Reserve

This balance relates to capital contribution by the Company's parent undertaking other than through the proceeds of the issue of shares.

# **Celerion Holding International Limited**

## **Notes to the financial statements at 31 December 2017**

### **18. Related party transactions**

The immediate parent undertaking of the Company is Celerion, Inc.

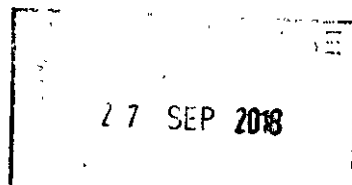
The ultimate parent undertaking and controlling party of the Company is CSC Celerion Holdco Corp a company incorporated in the United States. Copies of the consolidated accounts of CSC Celerion Holdco Corp are available as described in note 2. CSC Celerion Holdco Corp is the smallest and largest company in which the accounts of Celerion Holding International Limited are consolidated.

#### **Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period end are unsecured and interest is charged at a market rate, settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

# CSC Celerion Holdco Corp. and Subsidiaries

Consolidated Financial Statements  
as of December 31, 2017 (Successor) and  
2016 (Predecessor), and for the Period from  
November 3, 2017 to December 31, 2017 (Successor),  
the Period from January 1, 2017 to November 2, 2017  
(Predecessor) and the Year Ended December 31, 2016  
(Predecessor) with Independent Auditors' Report



## **CSC CELERION HOLDCO CORP. AND SUBSIDIARIES**

### **TABLE OF CONTENTS**

---

|  | <b>Page</b> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT   | 1-2         |
| CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 (SUCCESSOR)<br>AND 2016 (PREDECESSOR), AND FOR THE PERIOD FROM NOVEMBER 3, 2017 TO<br>DECEMBER 31, 2017 (SUCCESSOR), THE PERIOD FROM JANUARY 1, 2017 TO<br>NOVEMBER 2, 2017 (PREDECESSOR) AND THE YEAR ENDED<br>DECEMBER 31, 2016 (PREDECESSOR): |             |
| Consolidated Balance Sheets  | 3           |
| Consolidated Statements of Comprehensive Income (Loss)   | 4           |
| Consolidated Statements of Changes in Stockholders' Equity   | 5           |
| Consolidated Statements of Cash Flows  | 6           |
| Notes to Consolidated Financial Statements   | 7-34        |



**Deloitte & Touche LLP**  
First National Tower  
1601 Dodge Street  
Suite 3100  
Omaha, NE 68102-1640  
USA

Tel: +1 402 346 7788  
[www.deloitte.com](http://www.deloitte.com)

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
CSC Celerion Holdco Corp.  
Lincoln, Nebraska

We have audited the accompanying consolidated financial statements of CSC Celerion Holdco Corp. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2017 (successor), and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for the period from November 3, 2017 to December 31, 2017 (successor) and the period from January 1, 2017 to November 2, 2017 (predecessor), and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CSC Celerion Holdco Corp. and its subsidiaries as of December 31, 2017 (successor), and the results of their operations and their cash flows for the period from November 3, 2017 to December 31, 2017 (successor), and the period from January 1, 2017 to November 2, 2017 (predecessor), in accordance with accounting principles generally accepted in the United States of America.

## **Predecessor Auditors' Opinion on 2016 Consolidated Financial Statements**

The consolidated financial statements of Celerion Holdco, LLC and its subsidiaries (the "Predecessor Company") as of and for the year ended December 31, 2016 were audited by other auditors whose report, dated May 19, 2017, expressed an unmodified opinion on those statements.

*Deloitte & Touche LLP*

May 8, 2018

# CSC CELERION HOLDCO CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In thousands)

|   | Successor<br>December 31,<br>2017 | Predecessor<br>December 31,<br>2016 |
|---|-----------------------------------|-------------------------------------|
| <b>ASSETS</b>   |                                   |                                     |
| <b>CURRENT ASSETS:</b>  |                                   |                                     |
| Cash  | \$ 13,203                         | \$ 14,012                           |
| Accounts receivable—net of \$630 and \$355 of allowance for doubtful accounts at December 31, 2017 and 2016, respectively | 27,609                            | 22,180                              |
| Other receivables   | 713                               | 2,357                               |
| Unbilled revenue  | 6,969                             | 6,284                               |
| Inventories   | 644                               | 592                                 |
| Prepaid expenses and other current assets   | 1,895                             | 1,545                               |
| Income tax receivable   | <u>3,246</u>                      | <u>1,449</u>                        |
| Total current assets  | 54,279                            | 48,419                              |
| PROPERTY AND EQUIPMENT—NET  | 17,816                            | 11,341                              |
| OTHER LONG TERM ASSETS  | 16                                | 14                                  |
| INTANGIBLES AND GOODWILL—NET OF AMORTIZATION  | <u>264,929</u>                    | <u>84,181</u>                       |
| <b>TOTAL ASSETS</b>   | <b>\$ 337,040</b>                 | <b>\$ 143,955</b>                   |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                   |                                     |
| <b>CURRENT LIABILITIES:</b>   |                                   |                                     |
| Accounts payable  | \$ 4,548                          | \$ 3,750                            |
| Current portion of note payable   | 900                               | 1,215                               |
| Accrued expenses and other accrued liabilities  | 27,798                            | 16,943                              |
| Deferred revenue  | <u>31,533</u>                     | <u>27,174</u>                       |
| Total current liabilities   | 64,779                            | 49,082                              |
| NOTE PAYABLE—NET  | 135,377                           | 29,899                              |
| OTHER LONG-TERM LIABILITIES   | 6,930                             | 6,417                               |
| DEFERRED GAIN ON SALE/LEASEBACK—NET OF AMORTIZATION   | -                                 | 9,116                               |
| DEFERRED INCOME TAXES   | <u>23,692</u>                     | <u>7,793</u>                        |
| <b>TOTAL LIABILITIES</b>  | <b>230,778</b>                    | <b>102,307</b>                      |
| <b>COMMITMENTS AND CONTINGENCIES (Note 14)</b>  |                                   |                                     |
| <b>STOCKHOLDERS' EQUITY:</b>  |                                   |                                     |
| Member capital  | -                                 | 53,605                              |
| Common stock and additional paid in capital   | 99,630                            | -                                   |
| Accumulated other comprehensive income (loss)   | 279                               | (1,094)                             |
| Accumulated earnings (deficit)  | <u>6,353</u>                      | <u>(10,863)</u>                     |
| Total stockholders' equity  | <u>106,262</u>                    | <u>41,648</u>                       |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 337,040</b>                 | <b>\$ 143,955</b>                   |

See notes to consolidated financial statements.

# CSC CELERION HOLDCO CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

|   | Successor  | Predecessor  |                                    |
|---|--|--|------------------------------------|
|   | Period from<br>November 3<br>through<br>December 31,<br>2017 | Period from<br>January 1<br>through<br>November 2,<br>2017 | Year Ended<br>December 31,<br>2016 |
| REVENUE:  |  |  |                                    |
| Net service revenue   | \$ 21,566  | \$ 120,378   | \$ 116,283                         |
| Reimbursable out-of-pocket expenses   | <u>9,853</u>   | <u>45,153</u>  | <u>39,153</u>                      |
| Total revenues  | <u>31,419</u>  | <u>165,531</u>   | <u>155,436</u>                     |
| COSTS AND EXPENSES:   |  |  |                                    |
| Cost of services  | 14,591   | 82,480   | 86,285                             |
| Reimbursable out-of-pocket expenses   | 9,853  | 45,153   | 39,153                             |
| Selling, general, and administrative<br>(excluding depreciation and amortization) | 3,737  | 14,660   | 15,587                             |
| Depreciation and amortization   | 1,119  | 3,471  | 3,531                              |
| Intangibles and goodwill amortization   | <u>4,712</u>   | <u>10,433</u>  | <u>12,326</u>                      |
| Total costs and expenses  | <u>34,012</u>  | <u>156,197</u>   | <u>156,882</u>                     |
| INCOME (LOSS) FROM OPERATIONS   | <u>(2,593)</u>   | <u>9,334</u>   | <u>(1,446)</u>                     |
| OTHER INCOME (EXPENSES):  |  |  |                                    |
| Interest expense—net  | (1,881)  | (5,344)  | (2,441)                            |
| Foreign currency losses   | (267)  | (530)  | (215)                              |
| Other—net   | <u>(2,418)</u>   | <u>(9,858)</u>   | <u>497</u>                         |
| Total other expenses—net  | <u>(4,566)</u>   | <u>(15,732)</u>  | <u>(2,159)</u>                     |
| LOSS BEFORE INCOME TAXES  | (7,159)  | (6,398)  | (3,605)                            |
| INCOME TAX (BENEFIT) EXPENSE  | <u>(13,512)</u>  | <u>665</u>   | <u>1,090</u>                       |
| NET INCOME (LOSS)   | <u>\$ 6,353</u>  | <u>\$ (7,063)</u>  | <u>\$ (4,695)</u>                  |
| OTHER COMPREHENSIVE INCOME (LOSS)   |  |  |                                    |
| Foreign currency translation adjustment   | 245  | 394  | (234)                              |
| Defined benefit pension plan  | <u>34</u>  | <u>3</u>   | <u>214</u>                         |
| COMPREHENSIVE INCOME (LOSS)   | <u>\$ 6,632</u>  | <u>\$ (6,666)</u>  | <u>\$ (4,715)</u>                  |

See notes to consolidated financial statements.

# CSC CELERION HOLDCO CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (In thousands)

|   | Common Stock<br>Shares | Amount | Additional<br>Paid-In<br>Capital | Member<br>Capital | Accumulated<br>Earnings<br>(Deficit) | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total     |
|---|------------------------|--------|----------------------------------|-------------------|--------------------------------------|--|-----------|
| Predecessor balance, January 1, 2016          | -                      | \$ -   | \$ -                             | \$ 51,257         | \$ (6,168)                           | \$(1,074)  | \$ 44,015 |
| Member interest granted in acquisition        | -                      | -      | -                                | 2,090             | -                                    | -  | 2,090     |
| Member profit interests employee compensation | -                      | -      | -                                | 258               | -                                    | -  | 258       |
| Net loss                                      | -                      | -      | -                                | -                 | (4,695)                              | -  | (4,695)   |
| Other comprehensive loss                      | -                      | -      | -                                | -                 | -                                    | (20)   | (20)      |
| Balance, December 31, 2016                    | -                      | -      | -                                | 53,605            | (10,863)                             | (1,094)  | 41,648    |
| Member dividends                              | -                      | -      | -                                | (28,675)          | -                                    | -  | (28,675)  |
| Member redemption                             | -                      | -      | -                                | (1,587)           | -                                    | -  | (1,587)   |
| Member profit interests employee compensation | -                      | -      | -                                | 225               | -                                    | -  | 225       |
| Vested profit interest repurchase             | -                      | -      | -                                | (159)             | -                                    | -  | (159)     |
| Net loss                                      | -                      | -      | -                                | -                 | (7,063)                              | -  | (7,063)   |
| Other comprehensive income                    | -                      | -      | -                                | -                 | -                                    | 397  | 397       |
| Predecessor balance, November 2, 2017         | -                      | -      | -                                | 23,409            | (17,926)                             | (697)  | 4,786     |
| Successor balance, November 3, 2017           | -                      | \$ -   | \$ -                             | \$ -              | \$ -                                 | \$ -   | \$ -      |
| Issuance of successor securities              | 1,000                  | -      | 99,630                           | -                 | -                                    | -  | 99,630    |
| Net income                                    | -                      | -      | -                                | -                 | 6,353                                | -  | 6,353     |
| Other comprehensive income                    | -                      | -      | -                                | -                 | -                                    | 279  | 279       |
| Successor balance, December 31, 2017          | 1,000                  | \$ -   | \$99,630                         | \$ -              | \$ 6,353                             | \$ 279   | \$106,262 |

See notes to consolidated financial statements.

# CSC CELERION HOLDCO CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

|  | Successor<br>Period from<br>November 3<br>through<br>December 31,<br>2017 | Predecessor<br>Period from<br>January 1<br>through<br>November 2,<br>2017 | Year Ended<br>December 31,<br>2016 |
|--|---|---|------------------------------------|
| OPERATING ACTIVITIES:  |   |   |                                    |
| Net income (loss)  | \$ 6,353  | \$ (7,063)  | \$ (4,695)                         |
| Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities: |   |   |                                    |
| Depreciation and amortization  | 6,129   | 14,091  | 16,200                             |
| Amortization of deferred financing costs   | 106   | 2,507   | 309                                |
| Equity-based employee compensation   | -   | 225   | 258                                |
| Bad debt expense   | 218   | 58  | (251)                              |
| Net gain on disposal of property and equipment   | -   | (554)   | (348)                              |
| Deferred tax benefit   | (14,435)  | (2,277)   | (1,377)                            |
| Changes in operating assets and liabilities, net of effects of acquisitions:                   |   |   |                                    |
| Accounts receivable  | (2,564)   | (2,847)   | 1,147                              |
| Other receivables  | 505   | (543)   | (3,540)                            |
| Unbilled revenue   | 1,485   | (1,973)   | (2,542)                            |
| Inventories  | 36  | (92)  | 65                                 |
| Prepaid expenses and other assets  | (70)  | (240)   | 176                                |
| Accounts payable   | 384   | 296   | (909)                              |
| Accrued expenses and other accrued liabilities   | 3,550   | 12,113  | 4,091                              |
| Deferred revenue   | 1,801   | 3,791   | 2,593                              |
| Other long-term liabilities  | 238   | 776   | 38                                 |
| Net cash (used in) provided by operating activities  | <u>3,736</u>  | <u>18,268</u>   | <u>11,215</u>                      |
| INVESTING ACTIVITIES:  |   |   |                                    |
| Purchase of property and equipment   | (416)   | (5,831)   | (5,067)                            |
| Proceeds from sale of property and equipment   | -   | -   | 64                                 |
| Assign acquisition, net of cash acquired   | -   | -   | (7,581)                            |
| Acquisition of Predecessor Company, net of cash acquired of \$7,957, \$0, and \$0              | <u>(165,374)</u>  | <u>-</u>  | <u>-</u>                           |
| Net cash used in investing activities  | <u>(165,790)</u>  | <u>(5,831)</u>  | <u>(12,584)</u>                    |
| FINANCING ACTIVITIES:  |   |   |                                    |
| Issuance of successor shares   | 93,319  | -   | -                                  |
| Payment of member dividends  | -   | (28,675)  | -                                  |
| Redemption of member interests   | -   | (1,746)   | -                                  |
| Proceeds from issuance of debt   | 140,000   | 24,105  | -                                  |
| Debt issuance costs  | (3,829)   | -   | -                                  |
| Payment of long-term debt  | (54,313)  | (3,438)   | (4,327)                            |
| Payment of capital lease obligations   | (3)   | (32)  | (61)                               |
| Net cash (used in) provided by financing activities  | <u>175,174</u>  | <u>(9,786)</u>  | <u>(4,388)</u>                     |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH  | <u>83</u>   | <u>393</u>  | <u>(199)</u>                       |
| NET INCREASE (DECREASE) IN CASH  | <u>13,203</u>   | <u>3,044</u>  | <u>(5,956)</u>                     |
| CASH, BEGINNING OF PERIOD  | <u>-</u>  | <u>14,012</u>   | <u>19,968</u>                      |
| CASH, END OF PERIOD  | <u>\$ 13,203</u>  | <u>\$ 17,056</u>  | <u>\$ 14,012</u>                   |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:   |   |   |                                    |
| Cash paid during the period for interest   | \$ 1  | \$ 2,759  | \$ 1,977                           |
| Cash paid (received) during the period for income taxes  | (260)   | 5,009   | 4,207                              |
| Purchase of property and equipment financed by capital lease                                   | -   | -   | 18                                 |
| Issuance of common stock or member interests issued as consideration for acquisition           | 6,311   | -   | 2,090                              |

See notes to consolidated financial statements.

## **CSC CELERION HOLDCO CORP. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(In thousands, except share data)**

---

#### **1. DESCRIPTION OF BUSINESS**

Celerion Holdings, Inc. and its subsidiaries were formed on February 3, 2010 (inception) under the name of Sequence Pharma Services, Inc., which was subsequently changed to Celerion Holdings, Inc. Celerion Holdings, Inc. and its subsidiaries have locations in the United States, Canada and throughout Europe. During 2014, branches of Celerion, Inc. were opened in South Korea and Singapore. In December 2015, Celerion, Inc. established Celerion Holdings International Limited, a wholly owned subsidiary, in the United Kingdom.

Celerion Holdco LLC and its wholly owned subsidiary, Celerion Acquisition Corp. (collectively, the Predecessor Company) were formed on October 2, 2014. On October 28, 2014, the Predecessor Company completed an acquisition (the Celerion Acquisition) of 100% of the shares of Celerion Holdings, Inc.

On January 1, 2016, Celerion Holdings International, Limited purchased Celerion Austria GmbH (ACR) and its subsidiaries, formerly known as Assign Clinical Research GmbH (the Assign Acquisition). The acquired companies operate primarily in Austria, Germany and France.

CSC Celerion Holdco. Corp and its wholly owned subsidiary, CSC Celerion Acquisition Corp. (collectively, the Company or the Successor Company), were formed on October 16, 2017. On November 3, 2017, the Company completed an acquisition (the CSC Acquisition) of 100% of the shares of Celerion Acquisition Corp. The CSC Acquisition is discussed further in Note 3 to the consolidated financial statements. The Predecessor Company is referred to as the "Predecessor" in the consolidated financial statements for the period referred to as the period ended November 2, 2017 and December 31, 2016, which consists of the period January 1, 2017 to November 2, 2017. The Company is referred to as the "Successor" in the consolidated financial statements for the period referred to as the period ended December 31, 2017, which consists of the period November 3, 2017 to December 31, 2017.

The information presented for the Successor may not be directly comparable to the information provided related to the Predecessor as a result of the revaluation of assets and liabilities from the application of purchase accounting; accordingly, a black line is shown in the consolidated balance sheets, statements of comprehensive income (loss), changes in stockholders' equity and cash flows between those prior to and post November 3, 2017 since they have not been prepared on a comparable basis.

The Company provides innovative clinical research solutions by generating key data very early in the process to enable clients to get their products to market faster and assist them in making an earlier go/no go decision in drug development. The Company is formed or incorporated, as applicable, in the state of Delaware and has locations in the United States, Canada, Europe, and Asia. The Company's services include clinical research, bioanalytical, data management and biometric, and drug development.

**Government Regulation**—Laboratory services are subject to various regulatory requirements designed to ensure the quality and integrity of the testing processes. The Company's standard operating procedures are written in accordance with regulations and guidelines appropriate to the region and the country where they will be used.

The industry standards for conducting bioanalytical laboratory testing are embodied in the Good Laboratory Practice (GLP). The standards of GLP are articulated by the United States Food and Drug Administration (FDA), by the European Medicines Agency (EMA), and the Organization for Economic Cooperation and Development (OECD) in Europe and by similar regulatory authorities in other parts of the world.

Clinical services are subject to industry standards for the conduct of clinical research and development studies involving human subjects that are embodied in the regulations for Good Clinical Practice (GCP). The FDA, EMA, Medicines and Healthcare Products Regulatory Agency (MHRA), and other regulatory authorities require that test results submitted to such authorities be based on studies conducted in accordance with GCP. The clinical laboratories in the United States are operated in accordance with standards defined by the Clinical Laboratory Improvement Amendments of 1988 and the College of American Pathologists. The operations of a clinical laboratory in the United Kingdom are governed by the MHRA. As with GLP, noncompliance with GCP can result in the disqualification of data collected during the clinical trial.

To help satisfy its compliance obligations, the Company has established a quality management system that includes controls at its laboratory facilities, which monitor ongoing compliance with applicable regulations and guidelines.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation and Consolidation**—The consolidated financial statements include the accounts of all entities controlled by the Company. All intercompany balances and transactions have been eliminated.

**Estimates and Assumptions**—The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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 revenue and expenses during the reporting period. The estimation process required to prepare the Company's consolidated financial statements requires assumptions to be made about future events and conditions, and, as such, is inherently subjective and uncertain. The Company's actual results could differ from those estimates.

**Cash**—Cash consists of cash on hand and demand deposits.

**Accounts Receivable**—Accounts receivable represent amounts billed to customers under contractual arrangements. Credit is extended based on an evaluation of each customer's financial condition, and collateral is not required. The Company reserves for amounts determined to be uncollectible based on specific identification and historical experience. In evaluating the collectability of accounts receivable, the Company considers a number of factors, including the age of the accounts, changes in collection patterns, the composition of accounts by customer type, the status of ongoing disputes with customers, and general industry conditions.

**Concentration of Credit Risks**—The Company is subject to a concentration of credit risk with respect to its accounts receivable balance related to certain contracts throughout the U.S. and other countries. Approximately 12% and 16% of the accounts receivable balance was attributed to one client at December 31, 2017 and 2016, respectively. In addition, approximately 10% and 8% of net service revenues were attributed to one client for the years ended December 31, 2017 and 2016. This risk is mitigated due to the large number of customers comprising the Company's customer base and their geographic dispersion. The Company maintains reserves for estimated credit losses, and in the aggregate, these losses have not exceeded management's estimates.

**Inventories**—Inventories consist of clinic and laboratory supply materials consumed in the research study process. Inventories are valued at the lower of cost (first-in, first-out method) or market. The Company reviews inventory for excess quantities and obsolescence. The Company evaluates quantities on hand, physical condition, and technical functionality as these characteristics may be impacted by anticipated customer demand for current products and new product introductions.

**Property and Equipment**—Property and equipment, are recorded at cost. The cost of these assets is depreciated using the straight-line method over their estimated useful lives, which are as follows:

|                                 | <b>Years</b> |
|---------------------------------|--------------|
| Buildings and improvements      | 30           |
| Lab equipment                   | 5            |
| Furniture and fixtures          | 5            |
| Computer equipment and software | 3            |

Additions and improvements that extend the useful life of an asset are capitalized at cost and amortized over the shorter of their useful lives or remaining lease term, while maintenance and repairs that do not improve or extend the useful life of property and equipment are charged to operations as incurred.

**Long-Lived Assets**—Long-lived assets, including property and equipment, and definite-lived intangible assets (excluding goodwill) are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when estimated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than the carrying amount. Measurement of any impairment is based on estimated fair value. Where available, quoted market prices are used to determine fair value. When quoted market prices are not available, various valuation techniques, including the discounted value of estimated future cash flows, are utilized. Based on management's analysis, no such impairment existed during the years ended December 31, 2017 and 2016. There can be no assurance, however, that market conditions will not change, which could result in impairment of long-lived assets in the future.

**Goodwill**—The Company has chosen to follow ASU 2014-02, Intangibles – Goodwill and Other (Topic 350) Accounting for Goodwill (a consensus of the Private Company Council), which provides eligible private companies with an alternative to amortize goodwill on a straight-line basis over ten years and to perform a one-step impairment test, at either the entity level or the reporting unit level, when an event or circumstance indicates that the fair value of the entity or the reporting unit may be below its carrying amount. The Company evaluates goodwill at the entity level and there was no impairment identified in the current year.

**Conditional Asset Retirement Obligations**—The Company accounts for conditional asset retirement obligations in accordance with Accounting Standards Codification (ASC) 410-20, *Asset Retirement and Environmental Obligations – Asset Retirement Obligations*, and recognizes the fair value of a liability for an asset retirement obligation at the time it is identified and when a reasonable estimate of fair value can be made.

The Company assumed certain leased property held by Nordion (formerly, MDS Inc.) in 2010, and the related lease agreements included clauses whereby the premises are to be restored to their original condition upon lease expiration or termination. As a result, the Company recorded an asset retirement obligation of \$1,486 and \$1,353 as of December 31, 2017 and 2016, respectively, which is included in other long-term liabilities in the accompanying consolidated balance sheets.

**Fair Value of Financial Instruments and Certain Other Assets and Liabilities**—The carrying value of the Company's cash, accounts receivable and payable, and accrued liabilities approximates their fair value due to the short-term maturities of these assets and liabilities. The Company also believes that the aggregate fair value of its long-term debt approximates its carrying amount because the interest rates on the debt are reset on a frequent basis to reflect current market rates.

**Revenue Recognition**—The Company has fixed-price research contracts, as well as contracts that are billed on a time-and-materials or units-delivered basis. The Company recognizes revenue under its fixed-price contracts using the proportional performance method, measured by meeting contractual deliverables required under each contract. Deliverables are defined for each line of service such as completion, contract rates and specific milestones. Revenues under time-and-material and units-delivered contracts are recognized as the work is performed or as units are delivered. The Company recognizes revenue in accordance with four basic criteria that must be met to recognize revenue: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the price is fixed or determinable; and (4) collectability is reasonably assured.

An asset for unbilled revenue is recognized when services are provided and revenue is recognized before the Company has invoiced the customer. In these cases, revenue recognized will exceed amounts billed, and the difference, representing unbilled revenue, is recorded for the amount that is currently unbillable to the client pursuant to contractual terms. Once the Company has invoiced the customer, the unbilled receivable is reduced for the amount billed, and a corresponding account receivable is recorded. Contracts typically include five milestones with upfront invoices issued at contract execution. Subsequent invoices are issued as work is completed and billing milestones are met.

Deferred revenue is recognized when amounts invoiced are in excess of revenue recognized. In these cases, payments received in advance of services being provided are deferred as unearned revenue on the consolidated balance sheet. As the contracted

services are subsequently performed and the associated revenue is recognized, the unearned revenue balance is reduced by the amount of revenue recognized during the period. Contracts are typically in a deferred status at the beginning of the project life cycle due to the upfront milestone.

**Costs and Expenses**—Cost of services includes direct labor and related benefit charges, other direct costs, shipping and handling fees, an allocation of facility charges (excluding depreciation and amortization), and information technology costs. Selling, general, and administrative expenses consist primarily of administrative labor and related benefit charges, advertising and promotional expenses, administrative travel, an allocation of facility charges (excluding depreciation and amortization), and information technology costs. Cost of advertising is expensed as incurred.

**Reimbursable Out-of-Pocket Expenses**—As the Company provides services on projects, it also incurs third-party and other pass-through costs, which are reimbursable by its customers pursuant to the terms of the contractual arrangement. The revenues and costs from third-party and other pass-through costs are reflected in the consolidated statements of comprehensive income (loss) in the revenue and in the costs and expenses sections, respectively.

**Income Taxes**—The Company accounts for income taxes under the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded against deferred tax assets when, in the opinion of management, it is more likely than not that the Company will not be able to realize the benefit from its deferred tax assets. A valuation allowance is reversed when sufficient evidence exists that the Company will be able to realize the benefits of its deferred tax assets.

Though the validity of any tax position is a matter of tax law, the body of statutory, regulatory, and interpretive guidance on the application of the law is complex and often ambiguous. Because of this, whether a tax position will ultimately be sustained may be uncertain. The Company's recognition of an uncertain tax position is dependent on whether or not that position is more likely than not of being sustained upon audit by the relevant taxing authority. If an uncertain tax position is more likely than not of being sustained, the position must be recognized at the largest amount that is more likely than not to be sustained. No portion of an uncertain tax position will be recognized if the position has less than a 50% likelihood of being sustained. The Company would classify interest and penalties related to uncertain tax provisions in income tax expense if applicable. There was no interest expense or penalties related to unrecognized tax benefits through December 31, 2017 and 2016.

**Foreign Currency Translation**—The functional currency of the Company's international subsidiaries is their local currency. The assets and liabilities of these entities are translated into U.S. dollars at exchange rates in effect at the balance sheet date, while revenues and expenses are translated at weighted-average exchange rates in effect during the period. Gains and losses from translation of net assets of foreign operations are recorded as a component of accumulated other comprehensive income (loss) and are included in the determination of comprehensive income (loss). These amounts have no tax expense or benefit as the funds are indefinitely invested. Foreign currency transaction gains and losses are included in foreign currency gains (losses) in the accompanying consolidated statements of comprehensive income (loss).

**Purchase Accounting**—The purchase method of accounting requires companies to assign values to assets and liabilities acquired based upon their fair values at the acquisition date. In most instances, there are not readily defined or listed market prices for individual assets and liabilities acquired in connection with a business, including intangible assets. The determination of fair value for assets and liabilities in many instances requires a high degree of estimation. The valuation of intangible assets, in particular, is very subjective. We generally obtain third-party valuations to assist us in estimating fair values. The use of different valuation techniques and assumptions could change the amounts and useful lives assigned to the assets and liabilities acquired and related amortization expense.

**Accumulated Other Comprehensive Income (Loss)**—Accumulated other comprehensive income (loss) (AOCI), net of tax, consists of the following:

|  | Foreign<br>Currency<br>Translation | Benefit<br>Obligation | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|--|------------------------------------|-----------------------|--|
| <b>Predecessor</b>   |                                    |                       |  |
| Balance, January 1, 2016   | \$(1,074)                          | \$ -                  | \$(1,074)  |
| Other comprehensive income (loss) before reclassifications       | (234)                              | 214                   | (20)   |
| Amounts reclassified from accumulated other comprehensive income | -                                  | -                     | -  |
| Balance, December 31, 2016                                       | <u>\$(1,308)</u>                   | <u>\$ 214</u>         | <u>\$(1,094)</u>                                       |
| Other comprehensive income before reclassifications              | 394                                | 3                     | 397  |
| Amounts reclassified from accumulated other comprehensive income | -                                  | -                     | -  |
| Balance, November 2, 2017  | <u>\$ (914)</u>                    | <u>\$ 217</u>         | <u>\$ (697)</u>  |
| <b>Successor</b>   |                                    |                       |  |
| Balance, November 3, 2017  | \$ -                               | \$ -                  | \$ -   |
| Other comprehensive income before reclassifications              | 245                                | 34                    | 279  |
| Amounts reclassified from accumulated other comprehensive income | -                                  | -                     | -  |
| Balance, December 31, 2017                                       | <u>\$ 245</u>                      | <u>\$ 34</u>          | <u>\$ 279</u>  |

We deem our foreign investments to be permanent in nature and therefore do not provide for taxes on foreign currency translation adjustments.

Amounts related to pension are reclassified from accumulated other comprehensive income (loss) to pension cost, which is allocated to cost of sales and operating expenses based on salaries and wages. Pension costs relate to the Switzerland pension plan. All Switzerland deferred tax assets have a valuation allowance associated (refer to Note 11) and as a result there are no tax impacts.

### **Recent Accounting Pronouncements:**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). This standard requires the recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which a Company expects to be entitled in exchange for those goods or services. The new standard also requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Company is evaluating the effect that ASU 2014-09 will have on the consolidated financial statements and related disclosures. The Company will adopt this standard on January 1, 2019 and has not yet selected a transition method nor determined the effect of the standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). The amendments in this update will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This amendment is effective for non-public business entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. ASU 2016-02 is required to be applied with a modified retrospective approach to each prior reporting period presented. The Company will adopt this standard on January 1, 2020 and is in the process of assessing the impact of this standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments (Topic 230)*. The amendments in this update address eight specific cash flow issues with the objective of reducing the existing diversity in practice. This amendment is effective for non-public business entities for fiscal years beginning after December 15, 2018. Early adoption is permitted. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments in this update should be applied using a retrospective transition method to each period presented. If it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Company will adopt this standard on January 1, 2019 and is in the process of assessing the impact of this standard on its consolidated financial statements.

### **3. ACQUISITION**

CSC Acquisition—On November 3, 2017, the Company entered into a Stock Purchase Agreement (SPA), with Celerion Holdco, LLC pursuant to which the Company agreed to purchase all of the issued and outstanding stock of Celerion Acquisition Corp. for total consideration of \$173,331 in cash, \$6,311 of rollover equity, and \$54,313 of assumed debt.

The transaction, inclusive of transaction expenses and deferred financing costs, was financed with debt and equity of \$239,630. The series of transactions which occurred in conjunction with the transaction were as follows:

- A controlling cash equity investment of \$93,319 was made by the parent of CSC Celerion Holdco Corp. Additionally, \$6,311 of equity was funded by members of management as non-cash rollovers of Predecessor equity to member interests in the parent of CSC Celerion Holdco Corp. These equity investments were ultimately contributed to the Successor in the form of a capital contribution.
- Successor borrowings of \$140,000 were issued as disclosed in Note 9. The Successor incurred \$3,829 in deferred financing costs associated with the new debt.
- Predecessor long-term debt of \$54,313 and interest of \$361 was paid to Predecessor debt holders for debt assumed. The Predecessor expensed \$2,093, classified as interest expense, from the write-off of unamortized deferred financing costs related to the early payment of the Predecessor's debt.
- The purchase price included the following consideration:
  - Cash payments of \$171,031 to Predecessor members and \$6,311 of equity rolled over from the Predecessor to the parent of CSC Celerion Holdco Corp,
  - Contributions of \$2,300 to an escrow fund intended to cover any post-closing adjustments or Predecessor expenses.

In accordance with the purchase method of accounting, the assets acquired and liabilities assumed were recognized and measured at their estimated acquisition date fair values, which have been determined based on management's estimates, with the assistance of independent third-party valuation specialists and is subject to change within the measurement period. The primary items not yet finalized as of December 31, 2017 (Successor) relate to working capital at closing and determination of tax bases of net assets acquired. Various valuation methodologies were employed to determine the fair value of the assets acquired and liabilities assumed, including the cost, income, and market approaches. Management's estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. Amortization of goodwill is not deductible for tax purposes.

The purchase price exceeded the estimated fair values of the net assets acquired, resulting in the recognition of goodwill and other intangible assets. The Company recognized goodwill and identified intangibles of \$164,541 and \$105,100, respectively, in the consolidated balance sheet at acquisition. In addition, predecessor acquisition costs of \$9,377 and successor acquisition costs of \$2,757, which primarily relate to various professional fees, have been included in other income (expenses) in the consolidated statements of comprehensive income (loss) in the respective periods. The Company reflected the \$9,377 predecessor acquisition costs as a reduction to the opening cash balance on the consolidated statement of cash flows for the successor period ended December 31, 2017 as this predecessor liability was not paid until November 3, 2017.

A summary of the estimated fair values of the assets and liabilities acquired, as well as the computation of the goodwill and other intangible assets recognized is provided below, as of November 3, 2017:

|  | <b>Fair Value</b> |
|--|-------------------|
| Cash   | \$ 7,957          |
| Accounts receivable                              | 25,984            |
| Unbilled revenue                                 | 8,319             |
| Prepaid expenses and other current assets        | 6,446             |
| Other long term assets                           | 1,294             |
| Property and equipment                           | 18,412            |
| Identifiable intangible assets <sup>(1)</sup>    | 105,100           |
| Current liabilities                              | (29,944)          |
| Deferred revenue                                 | (29,345)          |
| Long term debt                                   | (52,966)          |
| Deferred tax liabilities                         | (39,405)          |
| Other liabilities                                | <u>(6,751)</u>    |
| Total identifiable net assets                    | 15,101            |
| Goodwill   | <u>164,541</u>    |
| Total allocation of purchase price consideration | <u>\$179,642</u>  |

<sup>(1)</sup> The following table summarizes the amounts and the useful lives assigned to identifiable intangible assets:

|   | <b>Economic<br/>Useful Lives</b> | <b>Recognized<br/>as of the<br/>Acquisition Date</b> |
|---|----------------------------------|--|
| Customer relationships                      | 15 years                         | \$ 62,000  |
| Backlog                                     | 3 years                          | 10,500   |
| Participant database                        | 7 years                          | 17,000   |
| Technology                                  | 7 years                          | 4,100  |
| Trademark                                   | 15 years                         | <u>11,500</u>  |
| Total identified intangible assets acquired |                                  | <u>\$ 105,100</u>                                    |

**Predecessor Assign Acquisition**—On January 1, 2016, the Company entered into a Stock Purchase Agreement (SPA) with ACR, pursuant to which the Company agreed to purchase all of the issued and outstanding stock of ACR for total consideration of \$10,172. The consideration was comprised of \$8,082 cash paid and issuance of 209,000 Class A Member Units valued at \$10.00 for \$2,090 to the sellers of the Assign companies.

In accordance with the purchase method of accounting, the assets acquired and liabilities assumed were recognized and measured at their estimated acquisition date fair values, which have been determined based on management's estimates, with the assistance of independent third-party valuation specialists. Various valuation methodologies were employed to determine the fair value of the assets acquired and liabilities assumed, including the cost, income, and market approaches. Management's estimates of fair value

are based on assumptions believed to be reasonable, but which are inherently uncertain. The purchase price exceeded the estimated fair values of the net assets acquired, resulting in the recognition of goodwill. In addition, acquisitions costs of approximately \$328 for the year ended December 31, 2016, which primarily relate to various professional fees, have been included in the consolidated statement of comprehensive income (loss). The goodwill is not deductible for tax purposes.

A summary of the final fair values of the assets and liabilities acquired, as well as the computation of the goodwill and other intangible assets recognized is provided below:

|  | <b>Fair Value</b>      |
|--|------------------------|
| Cash   | \$ 501                 |
| Accounts receivable                              | 3,250                  |
| Unbilled revenue                                 | 737                    |
| Prepaid expenses and other current assets        | 514                    |
| Other long term assets                           | 26                     |
| Property and equipment                           | 172                    |
| Indemnification asset <sup>(2)</sup>             | 345                    |
| Identifiable intangible assets <sup>(1)</sup>    | 5,030                  |
| Current liabilities                              | (2,969)                |
| Income tax liability <sup>(2)</sup>              | (345)                  |
| Long term debt                                   | (1,730)                |
| Deferred tax liabilities                         | (1,358)                |
| Deferred revenue                                 | <u>(174)</u>           |
| Total identifiable net assets                    | 3,999                  |
| Goodwill   | <u>6,173</u>           |
| Total allocation of purchase price consideration | <u><b>\$10,172</b></u> |

(1) The following table summarizes the amounts and the useful lives assigned to identifiable intangible assets:

|   | <b>Economic<br/>Useful Lives</b> | <b>Recognized<br/>as of the<br/>Acquisition Date</b> |
|---|----------------------------------|--|
| Customer relationships                      | 15 years                         | \$3,400  |
| Backlog                                     | 2 years                          | 1,500  |
| Trade names and trademarks                  | 2 years                          | <u>130</u>   |
| Total identified intangible assets acquired |                                  | <u><b>\$5,030</b></u>                                |

(2) The indemnification asset relates to a potential tax liability for tax periods prior to the date of the Assign Acquisition, for which the seller retains full liability. The indemnification asset is recorded in other receivables and the liability is recorded in accrued liabilities in the Company's consolidated balance sheet.

The results of the acquired operations are included in the Company's consolidated financial statements since the acquisition date.

#### 4. PROPERTY AND EQUIPMENT—NET

Net property and equipment at December 31 consisted of the following:

|   | <b>Successor</b><br><b>December 31,</b><br><b>2017</b> | <b>Predecessor</b><br><b>December 31,</b><br><b>2016</b> |
|---|--|--|
| Land and land improvements                | \$ 1,108   | \$ 696   |
| Buildings and improvements                | 3,787  | 3,063  |
| Machinery and equipment                   | 9,192  | 13,621   |
| Furniture and fixtures                    | 496  | 806  |
| Computer equipment and software           | 3,268  | 8,336  |
| Construction-in-progress                  | <u>1,279</u>   | <u>850</u>   |
| Total                                     | 19,130   | 27,372   |
| Accumulated depreciation and amortization | <u>(1,314)</u>   | <u>(16,031)</u>  |
| Total                                     | <u>\$ 17,816</u>                                       | <u>\$ 11,341</u>   |

Construction-in-progress primarily consists of software development costs, lab equipment, and leasehold improvements.

Depreciation is computed using the straight-line method for financial reporting purposes and amounted to \$1,119, \$3,471 and \$3,531 for the successor period ended December 31, 2017 and predecessor periods ended November 2, 2017 and December 31, 2016, respectively. Depreciation related to costs for software capitalized for internal use was \$265, \$975, and \$943 for the successor period ended December 31, 2017 and predecessor periods ended November 2, 2017 and December 31, 2016, respectively.

#### 5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at December 31 consisted of the following:

|                     | <b>Successor</b><br><b>December 31,</b><br><b>2017</b> | <b>Predecessor</b><br><b>December 31,</b><br><b>2016</b> |
|---------------------|--|--|
| Prepaid assets      | \$ 1,203   | \$ 912   |
| Prepaid rent        | 47   | 47   |
| Prepaid maintenance | 298  | 299  |
| Prepaid insurance   | 241  | 186  |
| Deposits            | <u>106</u>   | <u>101</u>   |
| Total               | <u>\$ 1,895</u>  | <u>\$ 1,545</u>  |

## 6. ACCRUED EXPENSES AND OTHER ACCRUED LIABILITIES

Accrued expenses and other accrued liabilities at December 31 consisted of the following:

|                         | <b>Successor</b><br><b>December 31,</b><br><b>2017</b> | <b>Predecessor</b><br><b>December 31,</b><br><b>2016</b> |
|-------------------------|--|--|
| Vacation                | \$ 3,424   | \$ 2,917   |
| Wages                   | 5,002  | 2,809  |
| Insurance               | 675  | 636  |
| Project                 | 3,868  | 1,531  |
| Warranty                | 870  | 1,262  |
| Professional fees       | 1,331  | 1,037  |
| Predecessor tax refunds | 3,964  | -  |
| Other                   | <u>8,664</u>   | <u>6,751</u>   |
| Total                   | <u>\$27,798</u>  | <u>\$16,943</u>  |

## 7. LEASE AGREEMENTS

**Operating Leases**—The Company has noncancelable leases for various equipment and office space under operating lease agreements. Rent expense for all operating leases was \$627, \$3,496 and \$4,111 for the successor period ended December 31, 2017 and predecessor periods ended November 2, 2017 and December 31, 2016, respectively.

Minimum annual rental commitments after December 31, 2017, under noncancelable operating leases are as follows:

### **Years Ending December 31:**

|            |                 |
|------------|-----------------|
| 2018       | \$ 3,953        |
| 2019       | 4,012           |
| 2020       | 3,909           |
| 2021       | 3,744           |
| 2022       | 3,035           |
| Thereafter | <u>21,344</u>   |
|            | <u>\$39,997</u> |

## 8. GOODWILL AND INTANGIBLE ASSETS

### Goodwill

The following table summarizes the changes in the goodwill balances:

#### Predecessor

|  |                  |
|--|------------------|
| Goodwill at January 1, 2016            | \$ 52,204        |
| Addition of goodwill related to Assign | 6,173            |
| Amortization expense                   | (6,528)          |
| Translation adjustment                 | <u>(4)</u>       |
| Goodwill at December 31, 2016          | 51,845           |
| Amortization expense                   | (5,527)          |
| Translation adjustment                 | <u>6</u>         |
| Goodwill at November 2, 2017           | <u>\$ 46,324</u> |

#### Successor

|                               |                  |
|-------------------------------|------------------|
| Goodwill at November 3, 2017  | \$164,541        |
| Amortization expense          | <u>(2,742)</u>   |
| Goodwill at December 31, 2017 | <u>\$161,799</u> |

**Intangible Assets**—Other identifiable intangible assets have been recorded and are being amortized over their economic useful life as shown in the tables below.

The Company amortized \$4,906 of identifiable intangible assets during the predecessor period ended November 2, 2017 and \$1,970 during the successor period ended December 31, 2017.

| Successor                        | Economic Useful Life (Years) | Carrying Value    | Accumulated Amortization | Net               |
|----------------------------------|------------------------------|-------------------|--------------------------|-------------------|
| <b>As of December 31, 2017:</b>  |                              |                   |                          |                   |
| Definite-life intangible assets: |                              |                   |                          |                   |
| Customer relationships           | 15                           | \$ 62,000         | \$ (689)                 | \$ 61,311         |
| Backlog                          | 3                            | 10,500            | (583)                    | 9,917             |
| Participant database             | 6                            | 17,000            | (472)                    | 16,528            |
| Technology                       | 7                            | 4,100             | (98)                     | 4,002             |
| Trademark                        | 15                           | <u>11,500</u>     | <u>(128)</u>             | <u>11,372</u>     |
| Total intangible assets          |                              | <u>\$ 105,100</u> | <u>\$ (1,970)</u>        | <u>\$ 103,130</u> |

The Company amortized \$5,798 of identifiable intangible assets during the predecessor period ended December 31, 2016.

| <b>Predecessor</b>               | <b>Economic</b>    | <b>Carrying</b>  | <b>Accumulated</b>  | <b>Net</b>       |
|----------------------------------|--------------------|------------------|---------------------|------------------|
| <b>As of December 31, 2016:</b>  | <b>Useful Life</b> | <b>Value</b>     | <b>Amortization</b> |                  |
|                                  | <b>(Years)</b>     |                  |                     |                  |
| Definite-life intangible assets: |                    |                  |                     |                  |
| Customer relationships           | 13-15              | 15,543           | 2,250               | 13,293           |
| Backlog                          | 2-3                | 2,433            | 1,424               | 1,009            |
| Participant database             | 6                  | 17,432           | 6,294               | 11,138           |
| Tobacco assays                   | 5                  | 1,326            | 574                 | 752              |
| Trade names and trademarks       | 2-20               | <u>6,948</u>     | <u>804</u>          | <u>6,144</u>     |
| Total intangible assets          |                    | <u>\$ 43,682</u> | <u>\$ 11,346</u>    | <u>\$ 32,336</u> |

Estimated future amortization of goodwill and intangible assets is as follows:

|            | <b>Goodwill</b>   | <b>Intangible Assets</b> | <b>Total</b>      |
|------------|-------------------|--------------------------|-------------------|
| 2018       | \$ 16,454         | \$ 11,819                | \$ 28,273         |
| 2019       | 16,454            | 11,819                   | 28,273            |
| 2020       | 16,454            | 11,236                   | 27,690            |
| 2021       | 16,454            | 8,319                    | 24,773            |
| 2022       | 16,454            | 8,319                    | 24,773            |
| Thereafter | <u>79,529</u>     | <u>51,618</u>            | <u>131,147</u>    |
|            | <u>\$ 161,799</u> | <u>\$ 103,130</u>        | <u>\$ 264,929</u> |

## 9. DEBT

### Successor

On November 3, 2017, the Company entered into a credit agreement with two financial institutions (the Lenders), whereby the Lenders agreed to extend certain credit facilities to the Company. The credit agreement includes credit facilities for term loans, revolving credit commitments and letters of credit. No revolving credit facilities or letters of credit were drawn as of December 31, 2017.

The balance of the term loan at December 31, 2017 was as follows.

|                                      | <b>Successor<br/>December 31,<br/>2017</b> |
|--------------------------------------|--|
| Note payable                         | \$ 140,000                                 |
| Less unamortized debt issuance costs | <u>(3,723)</u>                             |
| Net carrying value                   | 136,277                                    |
| Less current portion                 | <u>(900)</u>                               |
| Note payable—long-term               | <u><b>\$ 135,377</b></u>                   |

Future maturities of Successor long-term debt are:

|            | <b>Amount</b> |
|------------|---------------|
| 2018       | \$ 900        |
| 2019       | 900           |
| 2020       | 900           |
| 2021       | 900           |
| 2022       | 900           |
| Thereafter | 135,500       |

**Tier 1 Lenders**—On November 3, 2017, the Company entered into a six year term loan with the Tier 1 Lenders for \$90,000. The Company elected to convert the term loan to a Eurodollar loan for an initial period of three months, bearing an initial interest rate of 6.13%. This election is renewable thereafter for periods of one, two, three or six months, at a rate of LIBOR plus an applicable margin of 4.75%. The Company has the right to borrow up to an additional \$12,500 subject to criteria as specified by the Lenders in the credit agreement. Amortization of the term loan began March 31, 2018, with quarterly payments of \$225 through September 30, 2023. The balance of the term loan is due on November 3, 2023. The balance at that time is projected to be \$84,825 based on the current borrowing amount and the initial repayment schedule. The term loan is collateralized by the general assets of the Company.

The Company incurred interest expense of \$915 and debt issuance cost amortization of \$76 in the successor period ended December 31, 2017.

**Tier 2 Lenders**—On November 3, 2017, the Company entered into a term loan with the Tier 2 Lenders for \$50,000. The loan bears a fixed interest rate of 10.5% for the duration of the loan. The loan will mature on May 3, 2024, at which time the balance of the loan is due. The term loan is collateralized by the general assets of the Company.

The Company incurred interest expense of \$860 and debt issuance cost amortization of \$30 in the successor period ended December 31, 2017.

The credit agreement requires that the Company demonstrates compliance with certain financial covenants. As of December 31, 2017, the Company was in compliance with the financial covenants, and on April 30, 2018, the Company obtained a waiver from the bank to permit delivery of audited financial statements for the year ended December 31, 2017 by no later than May 15, 2018.

### **Predecessor**

**Credit Agreement**—On October 28, 2014, the Company entered into a credit agreement with several financial institutions (the Lenders) whereby the Lenders agreed to extend certain credit facilities to the Company. The credit agreement was amended December 9, 2015, February 17, 2016 and March 15, 2017. The credit agreement includes credit facilities for term loans, revolving credit commitments and letters of credit. No letters of credit had been drawn as of December 31, 2016.

The balance of the term and of the revolving loan at December 31, 2016 was as follows.

|  | <u><b>Predecessor</b></u><br><u><b>December 31,</b></u><br><u><b>2016</b></u> |
|--|---|
| Note payable - term loan                   | \$ 29,565   |
| Less unamortized loan discount - term loan | <u>(1,201)</u>  |
| Net carrying value - term loan             | 28,364  |
| Note payable - revolving loan              | <u>2,750</u>  |
| Total note payable                         | 31,114  |
| Less current portion                       | <u>(1,215)</u>  |
| Note payable—long-term                     | <u><u>\$ 29,899</u></u>   |

The credit agreement was terminated on November 3, 2017 upon repayment of all outstanding principal and accrued interest and fees in conjunction with the CSC Acquisition.

**Term Loan**—On October 28, 2014, the Company entered into a five-year term loan with the Lenders for \$55,000, bearing an initial base interest rate of 7.0%. The Company had an option to convert the loan to a Eurodollar loan, which it continued to do during the term of the agreement including amendments. Amortization of the term loan was reduced in 2015 from an initial quarterly payment of \$344 to \$200 after the Company executed a sale leaseback of property in Nebraska and Arizona and prepaid \$22,763 in accordance with the terms of the credit agreement. In May 2016, in accordance with the terms of the credit agreement, the Company made an Excess Cash payment of \$1,385, after which the quarterly payments increased to \$405 from June 30, 2017 through September 30, 2019.

On March 15, 2017 the credit agreement with the Lenders was amended to refinance the current balance, request additional borrowings, and extend the term of the agreement to March 15, 2022. The Company repaid the outstanding revolver balance of \$2,750, paid accrued interest and fees of \$367 and borrowed an additional \$25,435 resulting in a

current outstanding balance of \$55,000. In connection with this amendment, the Company paid fees of \$2,395. Amortization of the term loan was amended to \$344 quarterly beginning June 30, 2017 and continuing through March 31, 2019, at which time the payments increase to \$688.

As a result of the acquisition of the Company on November 2, 2017, the outstanding balance of \$54,677, including accrued interest and fees, was repaid to the predecessor lender.

The Company incurred interest expense of \$2,774 and \$1,977 and loan cost amortization of \$2,531 and \$457 in the predecessor periods ended November 2, 2017 and December 31, 2016, respectively. The remaining loan debt issuance cost amortization balance of \$2,093 was expensed in the predecessor period ended November 2, 2017 with the consummation of the CSC Acquisition and shown as interest expense in the consolidated statements of comprehensive income (loss).

**Revolving Loan**—On October 28, 2014, the Company entered into a revolving loan with the Lenders for \$1,750, bearing an initial base interest rate of 7.0%. On December 2, 2014, the Company elected to convert the initial revolving loan of \$1,750 from the base rate to a eurodollar loan bearing an interest rate of 4.75% plus LIBOR (subject to a floor of 1%) of the daily outstanding balance. This election was renewable for a period of six months, which the Company continued to renew throughout 2015. The Company entered into an additional \$2,000 eurodollar loan during December 2015, of which \$1,000 was repaid in February 2016. The Company paid a commitment fee quarterly calculated at a rate per annum equal to 0.50% on the average daily unused portion of the revolving loan. The Company had the right to borrow up to \$10,000 on the revolving loan, subject to criteria as specified by the Lenders. There were no amortization payments required on the revolving loan, which terminated concurrently with the term loan.

In connection with the amendment to the credit agreement on March 15, 2017 and the refinancing of the debt, the outstanding balance of \$2,750 was repaid in full.

The Company incurred interest expense of \$39 and \$205 on the revolving loan for the predecessor periods ended November 2, 2017 and December 31, 2016, respectively.

## **10. RETIREMENT PLANS**

**Defined Contribution Plans**—The Company has certain defined contribution plans for the U.S., Canadian, and European subsidiaries. The Company's matching contribution to the U.S. and Canadian plans is discretionary. The Company's Northern Ireland plan contains government clauses whereby the Company must make a pension plan accessible to its employees; however, a contribution is not mandatory. The Company contributes between 0.5% and 3% of eligible salary amounts. The Company recorded \$124, \$676 and \$551 of employer contribution expense related to these plans for the successor period ended December 31, 2017 and predecessor periods ended November 2, 2017 and December 31, 2016, respectively.

### **Defined Benefit Plan**

**Swiss Employee Pension Plan**—The Company participates in a collective foundation covering all of its employees in Switzerland. In addition to retirement benefits, the plan provides death or long-term disability benefits.

Contributions paid to the plan are computed as a percentage of salary, adjusted for the age of the employee and shared between the employees and the employer.

This plan is governed by the Swiss Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG), which requires contributions to be made to a separately administered fund. The fund has the legal form of a foundation and it is governed by the board of trustees, which consists of an equal number of employer's and employee's representatives. The board of trustees is responsible for the administration of the plan assets and for the definition of the investment strategy. The Company has no direct influence on the investment strategy of the foundation board.

The Company uses a measurement date of December 31 for all pension plans.

Even though the Company's annual measurement date is December 31, due to the CSC Acquisition, the Company was required to re-measure the pension assets and liabilities as of November 3, 2017. Accordingly, all unrealized actuarial gains and losses previously recognized in accumulated other comprehensive income (loss) were reset at that time. For the defined benefit plans, the following table provides a reconciliation of the beginning and ending benefit obligation and beginning and ending plan assets, as well as the funded status and reconciliation thereof to the consolidated balance sheets as of December 31, 2017 (Successor) and December 31, 2016 (Predecessor):

|   | <b>Successor<br/>December 31,<br/>2017</b> | <b>Predecessor<br/>December 31,<br/>2016</b> |
|---|--|--|
| Change in benefit obligation                        |  |  |
| Projected benefit obligation at beginning of period | \$ 13,529                                  | \$ 13,482                                    |
| Service cost  | 117  | 794  |
| Interest cost                                       | 17   | 135  |
| Plan participants' contributions                    | 42   | 272  |
| Benefits paid                                       | (86)                                       | (1,291)                                      |
| Plan amendments                                     | -  | -  |
| Actuarial gain                                      | -  | (115)  |
| Foreign currency exchange rate changes              | 349  | (174)  |
| Projected benefit obligation                        | <u>13,968</u>                              | <u>13,103</u>                                |
| Change in plan assets:                              |  |  |
| Fair value of plan assets at beginning of period    | 8,796                                      | 8,278  |
| Actual return on plan assets                        | 71   | 365  |
| Employer contributions                              | 89   | 584  |
| Plan participants' contributions                    | 42   | 272  |
| Benefits paid                                       | (86)                                       | (1,291)                                      |
| Foreign currency exchange rate changes              | 233  | (109)  |
| Fair value of plan assets                           | <u>9,145</u>                               | <u>8,099</u>                                 |
| Funded status                                       | <u>\$ (4,823)</u>                          | <u>\$ (5,004)</u>                            |

The accumulated benefit obligation of the Company's pension plans as of December 31, 2017 (Successor) and December 31, 2016 (Predecessor), was \$11,947 and \$11,246, respectively.

Net periodic benefit costs for the Company's defined benefit pension plans include the following components:

|  | <b>Successor</b>  | <b>Predecessor</b>  |   |
|--|---|---|---|
|  | <b>Period from<br/>November 3<br/>through<br/>December 31,<br/>2017</b> | <b>Period from<br/>January 1<br/>through<br/>November 2,<br/>2017</b> | <b>Year Ended<br/>December 31,<br/>2016</b> |
| Service cost   | \$ 117  | \$ 585  | \$ 794                                      |
| Interest cost  | 17  | 83  | 135   |
| Expected return on plan assets                         | (36)  | (180)   | (265)                                       |
| Amortization of net actuarial (gain) loss <sup>1</sup> | -   | -   | -   |
| Net periodic benefit cost                              | <u>\$ 98</u>  | <u>\$ 488</u>   | <u>\$ 664</u>                               |

<sup>1</sup> For the successor period ended December 31, 2017 and predecessor periods ended November 2, 2017 and December 31, 2016, the income tax effect on the amortization of actuarial (gains) losses is zero due to the valuation allowance on the Switzerland deferred tax assets.

The target allocation for the current selected fund is as follows:

| <b>Asset category</b>             | <b>Target<br/>Allocation</b> |
|-----------------------------------|------------------------------|
| Cash and cash equivalents         | 3 %                          |
| Unhedged emerging market equities | 3 %                          |
| Convertible bonds                 | 4 %                          |
| Swiss equities                    | 6 %                          |
| Global equities                   | 11 %                         |
| Hedged foreign corporate bonds    | 12 %                         |
| Real estate in Switzerland        | 15 %                         |
| Hedged foreign government bonds   | 21 %                         |
| Swiss bonds                       | 25 %                         |

The following table provides the weighted—average assumptions used to calculate net periodic benefit cost and the actuarial present value of projected benefit obligations (PBO) as of December 31:

**Weighted-Average Assumptions**

|  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| Mortality and disability assumptions                     | BVG2015     | BVG2015     |
| Discount rate for all defined benefit plans of the Group | 0.75 %      | 0.75 %      |
| Salary increase  | 1.75 %      | 1.5 %       |
| Long-term rate of return on assets                       | 2.5 %       | 2.5 %       |

For active plan participants, the PBO corresponds to the present value of retirement, survivors', disability, and termination benefits on the measurement date and considers future salary and pension increases as well as service termination probabilities. For retirees, the PBO corresponds to the present value of the current annuity, including future pension increases.

The expected long-term rate of return on plan assets corresponds to the return on benefits expected to be provided.

The Gemini 20 investment fund is a mutual fund that is not exchange-traded. The following table provides a summary of the plan assets per asset category, whose fair value is estimated using the net asset value (NAV) per share based on the underlying securities as determined by the sponsor, as of December 31:

| <b>Successor</b>            |                     |                             |                                      |                                 |
|-----------------------------|---------------------|-----------------------------|--------------------------------------|---------------------------------|
| <b>December 31, 2017</b>    |                     |                             |                                      |                                 |
| <b>Asset Category</b>       | <b>Fair Value *</b> | <b>Redemption Frequency</b> | <b>Other Redemption Restrictions</b> | <b>Redemption Notice Period</b> |
| Gemini 20 - Investment Fund | \$ 9,145            | Daily                       | None                                 | Daily                           |
| <b>Predecessor</b>          |                     |                             |                                      |                                 |
| <b>December 31, 2016</b>    |                     |                             |                                      |                                 |
| <b>Asset Category</b>       | <b>Fair Value *</b> | <b>Redemption Frequency</b> | <b>Other Redemption Restrictions</b> | <b>Redemption Notice Period</b> |
| Gemini 20 - Investment Fund | \$ 8,099            | Daily                       | None                                 | Daily                           |

\* The fair values of the investments have been estimated using the net asset value of the investment.

The Company's employer/employee pension fund committee has chosen to invest the pension plan funds in the Gemini Pool 20 investment fund. With an equity share of 20%, the Gemini 20 investment strategy is suitable for employee benefits units with low or no value fluctuation reserves. Sufficient long-term returns in excess of the BVG minimum interest rate are achieved at low risk.

As of December 31, 2017 (Successor) and December 31, 2016 (Predecessor), \$34 and \$214, respectively, net of tax, related to net gains arising during the period associated with the pension plans have been recognized in other comprehensive income (loss). Amounts recognized in AOCI represent not yet recognized components of net periodic benefit costs such as not amortized actuarial gains (losses) and, if applicable, not recognized prior year service costs or transition obligations that arise at initial adoption of changed authoritative guidance.

Amounts expected to be recognized as a component of net periodic benefit cost during the year ended December 31, 2018 is zero.

The expected future cash flows to be paid by the Company in respect of the pension plans as of December 31 were as follows:

**Expected employer contributions**

|                  |        |
|------------------|--------|
| 2018 (estimated) | \$ 568 |
|------------------|--------|

**Expected future benefit payments**

|            |        |
|------------|--------|
| 2018       | \$ 416 |
| 2019       | 494    |
| 2020       | 480    |
| 2021       | 462    |
| 2022       | 473    |
| Thereafter | 2,947  |

Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported. The valuation methods previously described above may produce a fair value calculation that may not be indicative of net realized value or reflective of future fair values.

The Company is also exposed to the impact of significant interest rate changes and yields in the context of the current economic environment. If the long-term interest rates were to further decrease, this might lead to a further significant increase in the PBO and to a significant decrease in both the fair value of the Plan's assets and expected assets' returns.

## 11. INCOME TAXES

The Company's income tax expense (benefit) consists of the following:

|                                    | <b>Successor</b>  | <b>Predecessor</b>  |   |
|------------------------------------|---|---|---|
|                                    | <b>Period from<br/>November 3<br/>through<br/>December 31,<br/>2017</b> | <b>Period from<br/>January 1<br/>through<br/>November 2,<br/>2017</b> | <b>For the<br/>Year Ended<br/>December 31,<br/>2016</b> |
| Current taxes:                     |   |   |   |
| Domestic                           | \$ 903  | \$ 1,610  | \$ 1,859  |
| Foreign                            | <u>20</u>   | <u>1,332</u>  | <u>608</u>  |
| Total current taxes                | <u>923</u>  | <u>2,942</u>  | <u>2,467</u>  |
| Deferred taxes:                    |   |   |   |
| Domestic                           | (14,435)  | (1,792)   | (1,096)   |
| Foreign                            | <u>-</u>  | <u>(485)</u>  | <u>(281)</u>  |
| Total deferred taxes               | <u>(14,435)</u>   | <u>(2,277)</u>  | <u>(1,377)</u>  |
| Total income tax expense (benefit) | <u><u>\$ (13,512)</u></u>   | <u><u>\$ 665</u></u>  | <u><u>\$ 1,090</u></u>                                  |

A reconciliation of the differences between income taxes computed at the U.S. federal statutory tax rate and the Company's income tax provision as of December 31 is as follows:

|   | <b>Successor</b>  | <b>Predecessor</b>  |   |
|---|---|---|---|
|   | <b>Period from<br/>November 3<br/>through<br/>December 31,<br/>2017</b> | <b>Period from<br/>January 1<br/>through<br/>November 2,<br/>2017</b> | <b>For the<br/>Year Ended<br/>December 31,<br/>2016</b> |
| Tax at U.S. federal statutory rate                            | \$ (2,416)  | \$ (2,175)  | \$ (1,226)  |
| Tax at blended state statutory rate<br>net of federal benefit | (159)   | (158)   | (98)  |
| Foreign operations  | 5   | 420   | 36  |
| Permanent differences   | 1,546   | 3,337   | 2,151   |
| R&D tax credits   | (158)   | (359)   | -   |
| Uncertain tax provisions                                      | -   | 762   | -   |
| Change in valuation allowance                                 | (343)   | (489)   | 471   |
| Tax reform act  | (12,015)  | -   | -   |
| Change in deferred taxes—rate change                          | -   | (467)   | (73)  |
| Other—net   | <u>28</u>   | <u>(206)</u>  | <u>(171)</u>  |
| Total   | <u><u>\$ (13,512)</u></u>   | <u><u>\$ 665</u></u>  | <u><u>\$ 1,090</u></u>                                  |

Deferred tax assets and liabilities reflect the net tax effect of net operating loss carryover, tax credit carryovers, and temporary differences created between the financial reporting purposes and tax basis. Deferred tax assets and/or liabilities are classified as noncurrent. The deferred tax assets have been reduced by a valuation allowance to the extent that the Company has determined that it is more likely than not that the Company will not generate sufficient future income to offset the current net operating losses. The tax effects of the cumulative temporary differences between the tax bases of assets and liabilities and their respective carrying amounts for financial statement purposes as of December 31 were as follows:

|                                    | <b>Successor</b><br><b>December 31,</b><br><b>2017</b> | <b>Predecessor</b><br><b>December 31,</b><br><b>2016</b> |
|------------------------------------|--|--|
| Deferred tax assets:               |  |  |
| Net operating loss carryforwards   | \$ 8,690   | \$ 8,218   |
| Accrued vacation                   | 583  | 806  |
| Accrued warranty                   | 175  | 397  |
| Allowance for doubtful accounts    | 111  | 108  |
| Acquisition transaction costs      | 731  | 802  |
| Property and equipment             | -  | 1,594  |
| Defined benefit pension plan       | 1,096  | 1,051  |
| Other                              | 629  | 325  |
| Valuation allowance <sup>(1)</sup> | <u>(9,794)</u>   | <u>(9,264)</u>   |
| Total deferred tax assets          | <u>2,221</u>   | <u>4,037</u>   |
| Deferred tax liabilities:          |  |  |
| Property and equipment             | (2,218)  | -  |
| Prepaid expenses                   | 247  | (363)  |
| Acquired intangibles               | <u>(23,942)</u>  | <u>(11,467)</u>  |
| Total deferred tax liabilities     | <u>(25,913)</u>  | <u>(11,830)</u>  |
| Net deferred tax liability         | <u><b>\$(23,692)</b></u>                               | <u><b>\$ (7,793)</b></u>                                 |

<sup>(1)</sup> Includes deferred tax asset valuation allowances for the Company's net deferred tax assets in the United Kingdom and Switzerland for 2017 and 2016. These valuation allowances relate primarily to net operating loss carryforward benefits and other net deferred tax assets, all of which may not be realizable.

At December 31, 2017 (Successor) and at December 31, 2016 (Predecessor), the Company had foreign net operating loss carryforwards of \$14,321 and \$13,890 for Switzerland, and \$31,097 and \$31,185 for the United Kingdom, respectively. Net operating losses in Switzerland began expiring in 2017. As of December 31, 2017, the Company had a net operating loss carryforward of \$1,714 in the United States.

At December 31, 2017 (Successor) and at December 31, 2016 (Predecessor), tax liabilities of \$762 and \$345 were recorded relating to uncertain tax liabilities of Celerion Austria GesmbH.

The Company and its subsidiaries file income tax returns in U.S. federal and various state jurisdictions. Certain tax years remain open to examination of the major taxing jurisdictions to which we are subject. Tax years remain open in the following jurisdictions:

| <b>Tax Jurisdiction</b> | <b>Years Open</b> |
|-------------------------|-------------------|
| Austria                 | 2011-2017         |
| United States           | 2014-2017         |
| France                  | 2014-2017         |
| United Kingdom          | 2016-2017         |
| Switzerland             | 2016-2017         |
| Germany                 | 2015-2017         |

**Tax Legislation**—On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the “Act”) was signed into law. The legislation changes U.S. tax law by, among other things, lowering the corporate tax rate from 34% to 21% effective for tax years beginning after December 31, 2017, the transition of the U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of the cumulative foreign earnings as of December 31, 2017. The Company has calculated its provisional impact of the Act in its year-end income tax provision, and as a result has recorded \$12,016 of tax benefit as of December 31, 2017, the period in which the legislation was enacted. The provisional amount related to the re-measurement of certain deferred tax assets and liabilities based the rates at which they are expected to reverse in the future was a tax benefit of \$12,895. The provisional amount related to the one-time transition tax on the mandatory deemed repatriation of foreign earnings was a current tax expense of \$879 based on net foreign subsidiary earnings and profits of \$7,159.

On December 22, 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of U.S. 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 Act. On January 11, 2018, the FASB issued guidance stating that entities that are not SEC registrants may apply SAB 118 to their financial statements. In accordance with SAB 118 and the FASB guidance, the Company has recognized the provisional tax impacts related to deemed repatriated earnings and the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the year ended December 31, 2017. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis of earnings and profits of the foreign subsidiaries, changes in interpretations and assumptions the Company has made, and additional regulatory guidance that may be issued. Any subsequent adjustments to these amounts will be recorded to current tax expense in 2018 when additional analysis will be completed.

While the Act provides for a territorial tax system, beginning in 2018, it includes two new U.S. tax base erosion provisions, the global intangible low-taxed income (“GILTI”) provisions and the base-erosion and anti-abuse tax (“BEAT”) provisions. The GILTI provisions require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary’s tangible assets. The Company currently does not expect that incremental U.S. tax on GILTI income beginning in 2018 will be material, net of eligible foreign tax credits. The Company has elected to account for GILTI tax in the period in which it is incurred, and therefore has not provided

any deferred tax impacts of GILTI in its consolidated financial statements for the successor period ended December 31, 2017.

## **12. OWNER EQUITY**

**Successor Equity**—On November 3, 2017, CSC Celerion Topco, LLC (parent company of CSC Celerion Holdco Corp.) contributed \$99,630 to the Company in exchange for 1,000 common shares of stock with a par value of \$0.001 per share.

### **Predecessor Equity**

**Members Equity Units**—On October 28, 2014, Celerion Holdco, LLC (the Parent) issued 5,087,800 Class A Member Units valued at \$10.00 for \$50,878 to three investors, including two executives of the Company. Each member's interest in the Parent, including such member's interest in income, gains, losses, deductions, and expenses of the Company and the right to vote on certain matters, is represented by the units owned by such member. In January 2015, an additional investor was added after contributing \$100 for 10,000 Class A Member Units valued at \$10.00. On January 1, 2016, the Parent issued 209,000 Class A Member Units valued at \$10.00 for \$2,090 to the sellers of the Assign companies as a portion of the total consideration in the Assign Acquisition.

On March 14, 2017 the Board of Managers of the Company authorized cash distributions to the Class A Members in proportion to the number of Class A Units held. Distributions in the amount of \$28,551 and \$124 were made on March 20 and October 13, 2017, respectively.

On July 18, 2017, the Parent and the seller of the Assign companies (the Exiting Member) executed an agreement whereby the Parent agreed to repurchase all of the Exiting Member's 209,000 Class A Member Units for \$7.59 per unit. On the same day, the Parent and a former executive also agreed the Parent would repurchase 11,223 vested Class B Member Units for \$14.16 per unit. The remaining 18,705 unvested Class B Member Units, 7,482 unvested Class C Member Units, and 7,482 unvested Class D Member Units were forfeited by the former executive pursuant to the Executive Securities Award Agreement dated December 21, 2015. Cash of \$1,587 and \$159 was paid for the repurchase of the Class A Member Units and vested Class B Member Units, respectively.

**Profits Interests Units**—On October 28, 2014, the Parent granted 658,419 Profits Interests Units to certain members of the Company's executive team for no cash payment, and subsequently granted an additional 29,928 units on April 1, 2015, and 29,928 units on April 15, 2015, to certain members of the Company's board of directors for no cash payment. On January 1, 2016 and on January 31, 2017, 44,892 units were granted to two members of the executive team for no cash payment. There were 134,679 units undistributed and available for future awards. The Profits Interests Units were not granted any voting rights under the LLC agreement. None of the Profits Interests Units were vested on the closing date of the Celerion Acquisition and there was no vesting during the two-month period ended December 31, 2014. During the year ended December 31, 2016, 127,278 units vested, and an additional 99,553 units vested during the successor period ended November 2, 2017. The Profits Interests Units vested as follows:

- Class B Units issued on October 28, 2014, vested based on time of service over a four-year vesting period, with 25% vesting on the first anniversary of the Celerion Acquisition and, thereafter, in equal monthly installments over an additional three years if and only if Executive had been continuously employed by the Company or its subsidiaries from the Celerion Acquisition until the applicable vesting date. Class B Units issued on April 1, 2015, and on April 15, 2015, vested over 46 and 43 months, respectively, the Class B Units issued on January 1, 2016 and January 31, 2017 vested over 48 months.
- Class C Units vested upon a sale of the Parent or public offering that resulted in either (i) a return multiple that is equal to at least two (2.0) or (ii) if a sale of the Parent or public offering occurred in less than 18 months from the Celerion Acquisition, and a return multiple that is equal to at least one and a half (1.5); and
- Class D Units vested upon a sale of the Parent or public offering that resulted in either (i) a return multiple that is equal to at least three (3.00) or (ii) if a sale of the Parent or public offering occurred in less than 18 months from the Celerion Acquisition, and a return multiple that is equal to at least two and one quarter (2.25).

The fair value of the units granted in 2017 and 2016 was determined using the Black-Scholes option pricing method and the assumptions as shown in the table below. Because the Company's stockholder interests are privately held and are not traded in an active market, it was not practicable to determine the volatility in the fair value of the Company's shares. Accordingly, the Company used the historical volatility of the share values of publicly traded companies in similar industries as a surrogate for the expected volatility of the Company's common stock. The risk-free interest rate was determined using U.S. Treasury rates with terms consistent with the expected life of the units. The expected life was determined to be the time until the next liquidation event. The fair value of units granted was amortized on a straight-line basis over the requisite service period to the extent the units were probable to vest.

The fair value of the units granted was determined using the following weighted average assumptions.

|                          | <b>Predecessor<br/>For the Year Ended<br/>December 31,<br/>2016</b> |
|--------------------------|---|
| Expected volatility      | 30.00 %   |
| Risk-free interest rate  | 0.70 %  |
| Expected life of options | 5.0 years   |
| Fair value of B Units    | \$ 2.02   |
| Fair value of C Units    | \$ 1.14   |
| Fair value of D Units    | \$ 0.47   |

The above assumptions were not updated during the predecessor period ended November 2, 2017 in anticipation of the CSC Acquisition.

The following is a summary of profits interests units activity as of predecessor periods ended November 2, 2017 and December 31, 2016, and changes during the periods then ended:

| <b>Profits Interests—B Units</b> | <b>Units<br/>Outstanding</b> | <b>Units<br/>Vested</b> | <b>Units<br/>Unvested</b> | <b>Intrinsic<br/>Value</b> | <b>Value per<br/>Unit</b> |
|----------------------------------|------------------------------|-------------------------|---------------------------|----------------------------|---------------------------|
| Balance, January 1, 2016         | 478,850                      | 138,334                 | 340,516                   | \$ 967                     | \$ 2.02                   |
| Activity during the period       | 29,928                       | 127,278                 | (97,350)                  | 61                         |                           |
| Balance—December 31, 2016        | 508,778                      | 265,612                 | 243,166                   | 1,028                      | \$ 2.02                   |
| Activity during the period       | <u>-</u>                     | <u>99,553</u>           | <u>(99,553)</u>           | <u>-</u>                   |                           |
| Balance—November 2, 2017         | 508,778                      | 365,165                 | 143,613                   | 1,028                      |                           |
| Units vesting upon acquisition   | -                            | 143,613                 | (143,613)                 | -                          |                           |
| Units paid out                   | <u>(508,778)</u>             | <u>(508,778)</u>        | <u>-</u>                  | <u>(1,028)</u>             |                           |
| Balance—November 3, 2017         | <u>-</u>                     | <u>-</u>                | <u>-</u>                  | <u>\$ -</u>                |                           |
| <b>Profits Interests—C Units</b> |                              |                         |                           |                            |                           |
| Balance, January 1, 2016         | 119,713                      |                         |                           | \$ 136                     | \$ 1.14                   |
| Activity during the period       | 7,482                        |                         |                           | 9                          |                           |
| Balance—December 31, 2016        | 127,195                      | -                       | 127,195                   | 145                        | \$ 1.14                   |
| Activity during the period       | <u>-</u>                     | <u>-</u>                | <u>-</u>                  | <u>-</u>                   |                           |
| Balance—November 2, 2017         | 127,195                      | -                       | 127,195                   | 145                        |                           |
| Units vesting upon acquisition   | -                            | 127,195                 | (127,195)                 | -                          |                           |
| Units paid out                   | <u>(127,195)</u>             | <u>(127,195)</u>        | <u>-</u>                  | <u>(145)</u>               |                           |
| Balance—November 3, 2017         | <u>-</u>                     | <u>-</u>                | <u>-</u>                  | <u>\$ -</u>                |                           |
| <b>Profits Interests—D Units</b> |                              |                         |                           |                            |                           |
| Balance, January 1, 2016         | 119,712                      |                         |                           | \$ 56                      | \$ 0.47                   |
| Activity during the period       | 7,483                        |                         |                           | 4                          |                           |
| Balance—December 31, 2016        | 127,195                      | -                       | 127,195                   | 60                         | \$ 0.47                   |
| Activity during the period       | <u>-</u>                     | <u>-</u>                | <u>-</u>                  | <u>-</u>                   |                           |
| Balance—November 2, 2017         | 127,195                      | -                       | 127,195                   | 60                         |                           |
| Units vesting upon acquisition   | -                            | 127,195                 | (127,195)                 | -                          |                           |
| Units paid out                   | <u>(127,195)</u>             | <u>(127,195)</u>        | <u>-</u>                  | <u>(60)</u>                |                           |
| Balance—November 3, 2017         | <u>-</u>                     | <u>-</u>                | <u>-</u>                  | <u>\$ -</u>                |                           |

Equity-based employee compensation expense associated with the profits interests B Units of \$225 and \$258 was recognized during the periods ended November 2, 2017 and December 31, 2016, respectively. No expense has been recognized for either C Units or D Units as it was not considered probable the performance vesting criteria would be met.

The profits interests units were vested upon the CSC Acquisition and were recorded as part of the purchase price allocation and are not reflected as an expense of either the Predecessor or Successor periods. The total gross amount paid out upon vesting due to the CSC Acquisition was \$13,547, \$3,387, and \$3,387 related to the B Units, C Units, and D Units, respectively.

### **13. RELATED-PARTY TRANSACTIONS**

#### **Predecessor Related Party Transactions**

On October 28, 2014, the Company entered into a management agreement with MTS Health Investors LLC (the Advisor), an affiliate of Celerion Holdco, LLC. Under the terms of the agreement, the Advisor is required to provide transaction advisory, financial advisory, and strategic planning services to the Company. The Advisor is entitled to receive an annual services fee of \$450, payable calendar quarterly in arrears. The Company paid \$379 and \$450 for services fees during the periods ended November 2, 2017 and December 31, 2016, respectively. In addition to the annual fees, the Company paid the Advisor \$4,700 upon consummation of the CSC Acquisition pursuant to the management agreement. Expenses are included in the other expenses line in the consolidated statement of comprehensive income (loss).

The Company received services from suppliers affiliated with a member of Celerion Holdco, LLC amounting to \$610 and \$639 during the periods ended November 2, 2017 and December 31, 2016, respectively. The costs are reported as reimbursable out-of-pocket expenses or cost of services in the consolidated statements of comprehensive income (loss). The amount payable to these suppliers was \$136 and \$85 as of November 2, 2017 and December 31, 2016, respectively. The amounts payable are reported in current liabilities in the consolidated balance sheets.

The Company also received goods and services from a member of Celerion Holdco, LLC amounting to \$16 during the periods ended November 2, 2017 and December 31, 2016, respectively. Depending on the nature of goods and services received, the costs are reported as capitalized software in the consolidated balance sheet; selling, general and administrative costs or other, net costs in the consolidated statement of comprehensive income (loss). The amount payable to this member was \$179 as of December 31, 2016 and is reported in current liabilities in the consolidated balance sheet.

### **14. COMMITMENTS AND CONTINGENCIES**

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, these actions will not materially affect the consolidated financial position, results of operations, or cash flows of the Company.

### **15. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through May 8, 2018, which is the date the consolidated financial statements were available for issuance. Except for the debt covenant waiver discussed in Note 9, there have been no subsequent events that require disclosure in or adjustment to the consolidated financial statements as of and for the year ended December 31, 2017.

\* \* \* \* \*