

## Scope of Procedures

Unless otherwise noted, our original report from January 2018 concentrated on financial results based on calendar year end December 31, 2015, 2016 and ten months ending October 31, 2017. This updated report reflects actual 2017 results through December 31, 2017. All procedures are subject to receipt of necessary and relevant information from management.

### **General**

1. Read and summarize available financial and non-financial material, which has been provided to Client.
2. Summarize potential adjustments regarding the operating performance of FITS in the form of a quality of earnings analysis, summarizing the risks that may impact earnings before interest, taxes, depreciation and amortization (“EBITDA”).
3. Hold discussions with FITS management regarding accounting policies and procedures, specifically:
  - a. Reporting methodology, policies and procedures
  - b. Basis for cost allocations
  - c. Significant accounting estimates
  - d. Recent or contemplated changes in accounting principles, procedures, or estimates
  - e. Intercompany accounts and related party transactions
  - f. Internal control environment including nature of financial information utilized to manage the Company.
4. Read and discuss with management consolidating financial statements to understand the methodology, nature of eliminating entries and consistency of application over the historical period.

### **Historical Income Statement**

5. Discuss and analyze revenue recognition.
6. Discuss historical net sales and gross margin fluctuations by revenue type (rentals and sales) to gain an understanding of unusual trends.
7. Discuss and analyze gross sales to net revenue and related impact on accounting, if applicable, to assess overall profitability.
8. Analyze revenue.
9. Discuss pricing methodologies.
10. Analyze equipment utilization rates by equipment type.

### **Cost of Revenue**

11. Discuss and analyze spending trends with the top vendors.

### **Operating Expenses**

12. Discuss and analyze the individual components of operating expenses, including personnel costs, fuel expense, insurance, delivery expense, scrapped equipment, and related party expenses. Understand the nature of any unusual fluctuations in these components, including discretionary spending accounts such as “owner expenses”.
13. Discuss and analyze compensation paid to employees deemed executive management.
14. Understand the fixed versus variable nature of expenses.
15. Discuss and analyze trends in bad debt expense.

### **Payroll**

16. Review payroll by company to determine propriety

classifications and reporting.

17. Review payroll accrual process.
18. Examine and reconcile payroll tax withholdings to general ledger.
19. Income Tax Filings
20. Reconcile GAAP/Historical periods reporting to income tax filings for 2015 and 2016.

### ***Historical Balance Sheet***

#### **Cash**

21. Cash excluded from purchase price.

#### **Accounts Receivable**

22. Discuss the policies and procedures relating to accounts receivable including gaining an understanding of the nature of significant balances.
23. Read and analyze accounts receivable aging reports. Discuss the achievability of collecting receivables aged in excess of 90 days past due date with management.
24. Assess the adequacy of the allowance for doubtful accounts and movements in the allowance.

#### **Inventory**

25. Discuss vehicle inventory policies and procedures with management including (i) inventory controls and management, (ii) costing, (iii) nature of reserves and (iv) book to physical adjustments.
26. Read and analyze inventory reconciliations.

#### **Other Current Assets**

27. If applicable, analyze the components of other current assets to conclude on propriety of

accounting and potential realization issues and the effect on the financial statements.

#### **Rental Equipment**

28. Obtain and analyze a roll forward of rental equipment. Discuss significant additions and retirements by type.
29. Discuss historical and project capital expenditure requirements, including details of original price, cost of maintenance and fleet utilization/age.
30. Obtain and analyze equipment age detail by asset, discuss equipment life cycle and understand related impact on future capital expenditures.

#### **Property, plant and equipment**

31. Discuss historical and projected capital expenditure requirements including additional details of significant projects.
32. Review contribution by equipment type, revenue versus variable costs.

#### **Accounts Payable**

33. Discuss vendor payment terms.
34. Obtain the composition of Accounts Payable balances and analyze the aging of payables and understand amounts that have significantly aged in excess of 90 days.
35. Obtain and analyze accounts payable ledger to review for any unusual / non-recurring vendors.
36. Discuss and analyze payables related to capital purchases.

#### **Accrued Expenses and Other Current Liabilities**

37. Discuss the nature of and detail Accrued Expense balances.
38. Analyze movements in and understand the basis of judgmental accruals and reserves.

### **Notes Payable and Other Liabilities / Equity**

39. Obtain the detail of Notes Payable balances.
40. Discuss with management the nature of certain off-balance sheet liabilities. Understand the future cash requirements to fully fund these obligations.

### **Working Capital / Seasonality**

41. Analyze the impact of seasonality and other events on historical and projected working capital requirements.
42. Determine normalized net working capital.