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

FORM 8-K/A
Amendment No. 1

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

November 1, 2021
Date of report (date of earliest event reported)

Digi International Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-34033	41-1532464
(State of Incorporation)	**(Commission file number)**	**(I.R.S. Employer Identification No.)**

9350 Excelsior Blvd., Suite 700 Hopkins, Minnesota	55343
(Address of principal executive offices)	**(Zip Code)**

(952) 912-3444
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	DGII	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter):

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

On November 1, 2021, Digi International Inc. ("*Digi*") completed the acquisition (the "*Acquisition*") of all of the outstanding equity interests of Ventus Networks, LLC, Ventus Holdings, LLC, Ventus IP Holdings, LLC, Ventus Wireless Services, Inc., Ventus Wireless CA, Inc., and VClipz, Inc. (collectively, "*Ventus*").

This Amendment No. 1 on Form 8-K/A is being filed by Digi to amend the current report on Form 8-K filed with the Securities and Exchange Commission ("*SEC*") on November 2, 2021 (the "*Original Report*"), solely to provide the disclosures required by Item 9.01 of Form 8-K that were not previously filed with the Original Report, including the required financial statements of Ventus, the required pro forma financial information, and incorporating, by reference, the Form 8-K filed on December 23, 2021, which discloses the third amended and restated credit agreement ("*the Credit Agreement*") with BMO Harris Bank N.A ("BMO"). Except as otherwise provided herein, the disclosures made in the Original Report remain unchanged.

Item 9.01 Financial Statements and Exhibits

(a) **Financial Statements of Businesses Acquired**.

The consolidated financial statements of Ventus required by Item 9.01(a) of Form 8-K are attached as Exhibit 99.3 hereto and incorporated herein by reference.

(b) **Pro Forma Financial Information**.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 and the unaudited pro forma condensed combined statements of operations of Digi and Ventus for the nine months ended June 30, 2021 and the year ended September 30, 2020, are attached as Exhibit 99.4 hereto and incorporated herein by reference.

(d) **Exhibits**.

The following exhibits are provided herewith:

Exhibit No.	Description
2.1*†	Purchase Agreement dated as of November 1, 2021 by and among Keith Charette, Steven Glaser, The Keith R. Charette DE Incomplete – Gift Non-Grantor Trust, Ventus Networks, LLC, Ventus Holdings, LLC, Ventus IP Holdings, LLC, Ventus Wireless Services, Inc., Ventus Wireless CA, Inc., VClipz, Inc., and Digi International Inc.
10.1 *†	Second Amended and Restated Credit Agreement dated as of November 1, 2021, by and among Digi International Inc., as the Borrower, BMO Harris Bank N.A., as administrative agent and collateral agent, BMO Capital Markets Corp., as sole lead arranger and book runner, and the other lenders from time to time party thereto.
10.2*	Third Amended and Restated Credit Agreement dated December 22, 2021, by and among Digi International Inc. as the Borrower, BMO Harris Bank N.A., as the administrative agent and collateral agent, BMO Capital Markets Corp, as the sole lead arranger and book runner, and other lenders from time-to-time party thereto (incorporated by reference from Exhibit 10.1 to current report on Form 8-K filed December 23, 2021)
23.1	Consent of Reynolds + Rowella, LLP, Independent Auditors
99.1 †	Press Release dated November 2, 2021
99.2 †	Investor Presentation dated November 2021
99.3	Audited consolidated financial statements of Ventus Holdings, LLC and subsidiaries as of and for the years ended December 31, 2020 and 2019; unaudited condensed consolidated financial statements of Ventus Holdings, LLC and subsidiaries as of and for the six months ended June 30, 2021 and 2020
99.4	Unaudited pro forma condensed combined balance sheet as of June 30, 2021 and unaudited pro forma condensed combined statements of operations for the nine months ended June 30, 2021 and the year ended September 30, 2020 of Digi and Ventus
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

* Pursuant to Item 601(a)(5) of Regulation S-K, the exhibits and schedules to Exhibit 10.1 have been omitted from this report and will be furnished supplementally to the Commission upon request.

† Filed with Original Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized.

Date: January 18, 2022

DIGI INTERNATIONAL INC.

By: /s/ James J. Loch

James J. Loch

Senior Vice President, Chief Financial Officer and Treasurer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-253781) and Forms S-8 (File Nos. 333-187949, 333-144872, 333-169427, 333-169428, 333-194518, 333-194522, 333-209958, 333-218002, 333-225308, 333-231365, 333-256288 and 333-238614) of Digi International Inc. of our report dated February 21, 2021 relating to the consolidated financial statements of Ventus Holdings, LLC and subsidiaries for the year ended December 31, 2019 and our report dated August 2, 2021 relating to the consolidated financial statements of Ventus Holdings, LLC and subsidiaries for the year ended December 31, 2020, each of which appears in this current report on Form 8-K.

/s/ Reynolds + Rowella, LLP
New Canaan, Connecticut
January 18, 2022

Exhibit 99.3

Ventus Holdings, LLC and Subsidiaries
Consolidated Financial Statements
December 31, 2019

Ventus Holdings, LLC and Subsidiaries
Index to Consolidated Financial Statements
December 31, 2019

	Page(s)
Independent Auditor's Report	1-2
Financial Statements:	
Consolidated Balance Sheet	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Members' Equity	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 -16

REYNOLDS + ROWELLA

ACCOUNTING AND CONSULTING

Independent Auditor's Report

To the Members of
Ventus Holdings, LLC
and Subsidiaries
Norwalk, Connecticut

We have audited the accompanying consolidated financial statements of Ventus Holdings, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 financial position of Ventus Holdings, LLC and Subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Reynolds + Rowella, LLP
Reynolds + Rowella, LLP

New Canaan, Connecticut
February 2, 2021

Ventus Holdings, LLC and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2019

Assets	
Current Assets:	
Cash and cash equivalents	$ 708,657
Accounts receivable	4,887,159
Inventory	1,491,684
Prepaid expenses and other current assets	604,274
Total Current Assets	7,691,774
Property and equipment, net	17,500,013
Capitalized software costs, net	1,513,779
Security deposit	252,002
Total Assets	$ 26,957,568
Liabilities and Members' Equity	
Current Liabilities:	
Accounts payable	$ 2,301,173
Accrued expenses	579,559
Deferred revenue	1,437,297
Note payable, current portion	4,237,630
Capital leases, current portion	619,672
Total Current Liabilities	9,175,331
Note payable, less current portion	6,264,670
Capital leases, less current portion	509,231
Total Liabilities	15,949,232
Members' Equity	11,008,336
Total Liabilities and Members' Equity	$ 26,957,568

See accompanying notes to consolidated financial statements.

Ventus Holdings, LLC and Subsidiaries
Consolidated Statement of Operations
For the Year Ended December 31, 2019

Net Revenues	$ 47,106,549
Cost of Goods and Services	11,660,766
Gross Profit	35,445,783
Operating Expenses:	
Selling, general and administrative expenses	18,196,838
Depreciation and amortization	4,010,925
Research and development	130,956
Advertising	70,323
Total Operation Expenses	22,409,042
Income From Operations	13,036,741
Other Income (Expenses):	
Other income	135
Interest expense	(530,510)
Total Other Expenses, Net	(530,375)
Net Income	$ 12,506,366

See accompanying notes to consolidated financial statements.

Ventus Holdings, LLC and Subsidiaries
Consolidated Statement of Changes in Members' Equity
For the Year Ended December 31, 2019

	Total Members' Equity
December 31, 2018	$ 13,242,412
Distributions to members	(14,740,442)
Net income	12,506,366
December 31, 2019	$ 11,008,336

See accompanying notes to consolidated financial statements.

Ventus Holdings, LLC and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

Operating Activities		
Net income	$	12,506,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		4,010,925
Security deposit		(65)
Changes in operating assets and liabilities:		
Accounts receivable		31,637
Inventory		(346,417)
Prepaid expenses and other current assets		125,370
Accounts payable		(42,856)
Accrued expenses		(129,136)
Deferred rent		1,754
Deferred revenue		(217,454)
Net Cash Provided by Operating Activities		15,940,124
Investing Activities		
Purchases of property and equipment		(3,896,753)
Cost of software development, net		(550,163)
Net Cash Used in Investing Activities		(4,446,916)
Financing Activities		
Borrowings/Repayments on line of credit, net		6,630,000
Repayments of note payable — bank, net		(3,462,538)
Distributions to members		(14,070,172)
Net Cash Used in Financing Activities		(10,902,710)
Net Change in Cash and Cash Equivalents		590,498
Cash and Cash Equivalents, Beginning of Year		118,159
Cash and Cash Equivalents, End of Year	$	708,657
Supplemental Disclosure of Non-Cash Financing Activities:		
Distribution of receivable due from member	$	670,270

See accompanying notes to consolidated financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Ventus Holdings, LLC and Subsidiaries (the "Company") is a provider of customized managed network services for distributed enterprises. The Company's managed network services are utilized for the deployment of all types of networked devices across the financial, office, retail, and hospitality sectors including automated teller machines, point of sale equipment, and automated kiosks. These aggregated services are delivered to our customers as a complete Network-as-a-Service solution which includes network design, network testing, hardware procurement, field services, maintenance, monitoring, reporting, technical support, and electronic billing. The Company also conducts certain business activities under the names Ventus Wireless LLC, Ventus Networks, LLC, Kick Wireless Services LLC, Ventus IP Holdings LLC, Ventus Wireless Services, Inc. Ventus Technologies LLC, Vclipz, and Ventus Wireless CA, Inc.

Principles of Consolidation

The consolidated financial statements include the accounts of Ventus Holdings, LLC's wholly owned subsidiaries: Ventus Wireless LLC, Ventus Technologies, LLC, Kick Wireless Services, LLC and the related entities; Ventus Networks LLC, Ventus IP Holdings LLC, Ventus Wireless Services, Inc, Ventus Wireless CA, Inc, and VClipz, Inc. All inter-company accounts and transactions have been eliminated in the consolidation of these subsidiaries.

Revenue Recognition

Effective January 1, 2019, the Company adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), as amended using the modified retrospective method. Under ASC 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration, and the Company expects to be entitled to in exchange for those goods or services.

The Company follows a five-step model to (a) identify the contract with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the Company satisfies a performance obligation. In determining the transaction price, the Company includes variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. Upon adoption, there was no impact on how the Company has recognized revenue previously or on opening members' equity.

The Company's primary source of revenues are (1) the sale of equipment and (2) services rendered related to the equipment. The Company's customers may return equipment for an exchange or service. However, an allowance is not recorded at the time of sale because the Company believes that returns are minimal based on historical experience.

Service Revenue:

Generally, service revenues are billed on the first of the month and are recognized as revenue when the services are rendered, and the revenue recognition criteria have been met. Amounts that have been invoiced are recorded in accounts receivable and deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Equipment or Product Revenue:

In connection with its managed network services, the Company may sell customers proprietary cellular and broadband routers. Such equipment is generally billed upon shipment to the customer.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2019.

Accounts Receivable

Accounts receivable are carried at original invoiced amounts less an estimate made for an allowance for doubtful accounts. The allowance for doubtful accounts is determined based on a review of outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer balances and considering the customer’s financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as a reduction to bad debt expense when received.

Overdue accounts receivable balances accrue finance charges at a rate of 1.5% per month. The Company considers all accounts receivable balances to be fully collectible as of December 31, 2019, and therefore no allowance for doubtful accounts was considered necessary.

Inventories

Inventory consists primarily of assembled network routers and spare parts which are valued at lower of cost or market, with cost being determined by the weighted-average cost method.

Property and Equipment, Net

Property and equipment are carried at historical cost, less accumulated depreciation. Depreciation of property and equipment is recorded using the straight-line method based on the following estimated useful lives:

	Years
Network routers	7–10
Furniture and fixtures	5–7
Computer equipment	5
Vehicles	3-5

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Capitalized Software and Development Costs, Net

Costs incurred during the application development phase of internally developed software are capitalized only when the Company believes it is probable the development will result in new or additional functionality. Capitalized internally developed software is amortized on a straight-line basis over its estimated life of 3 to 5 years once it is placed into service. Capitalized costs during the application development phase may include employee compensation and third-party consulting and related development costs. Costs related to the preliminary project phase and post-implementation activities are expensed as incurred.

Long-Lived Assets and Impairment Assessment

The Company evaluates long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions, or other events that indicate an asset's carrying amount may not be recoverable. If such review indicates that the carrying amount of long-lived assets are not recoverable, the carrying amount of such assets is reduced to its estimated fair value.

Research and Development

Research and development expenditures which are expensed as incurred, were $130,956 for the year ended December 31, 2019.

Advertising Costs

Advertising costs are expensed as incurred, and are included in selling, general and administrative expenses in the consolidated statement of operations. Advertising expenses for the year ended December 31, 2019 were $70,323.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods and services.

Income Taxes

The Company is treated as a partnership for federal income tax purposes. Accordingly, federal income taxes are not payable, or provided for, by the Company. Members are taxed individually on their shares of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement. Accordingly, the financial statements do not reflect a provision for income taxes. The Company's income tax returns for 2017, 2018 and 2019 are subject to audit by the taxing authorities.

Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to or disclosures in the financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting ("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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The amendments are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021 and early adoption is permitted. The Company is currently evaluating the impact that the updates to the standard will have on its financial statements upon adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (ASU 2016-02)*, which requires lessees to include most operating leases on the balance sheet. ASU 2016-02, as amended by ASU 2020-05 is effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2021 and early adoption is permitted. The Company is currently evaluating the impact the standard will have on its financial statements upon adoption.

Events Occurring After Reporting Date

The Company has evaluated events and transactions occurring between December 31, 2019 and February 2, 2021, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

On March 11, 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. The public-health impact of the outbreak is currently unknown and rapidly evolving, and the related health crisis could adversely affect the global economy resulting in an economic downturn. Accordingly, there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company.

2. Inventories

Inventories at December 31, 2019 consisted of the following:

Routers	$	1,187,633
Spare parts		304,051
Total	$	1,491,684

3. Property and Equipment, Net

Property and equipment, net at December 31, 2019 consisted of the following:

Network routers	$	28,456,731
Computer and equipment		5,603,217
Furniture and leasehold improvements		1,661,464
Router molds, tooling and dies		424,010
Vehicles		126,092
Total property and equipment, at cost		36,271,514
Less: accumulated depreciation and amortization		(18,771,501)
Property and equipment, net	$	17,500,013

Depreciation and amortization expense pertaining to property and equipment for the year ended December 31, 2019 was $3,842,727.

4. Capitalized Software and Development, Net

Capitalized software and development costs, net at December 31, 2019 consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible asset capitalized software costs	$ 1,681,977	$ (168,198)	$ 1,513,779
Total	$ 1,681,977	$ (168,198)	$ 1,513,779

Amortization of expense pertaining to capitalized software and development cost for the year ended December 31, 2019 was $168,198.

The estimated amortization expense for the next five years ended December 31 is as follows:

2020	$	336,395
2021		336,395
2022		336,395
2023		336,395
2024		168,199
Total estimated amotization expense	$	1,513,779

5. Capital Leases

The Company leases vehicles and equipment under various non-cancelable capital leases expiring at various times. Amortization related to the leased assets is included in depreciation and amortization expense. The future minimum annual payments under capital lease arrangements as of December 31, 2019 are as follows:

2020	$	619,672
2021		509,231
Total Future Lease Payments	$	1,128,903

As of December 31, 2019, capital leases included in property and equipment in the consolidated balance sheet consisted of:

Equipment	$	1,205,557
Vehicles		126,092
Total property and equipment under capital lease		1,331,649
Less: Accumulated depreciation		(475,051)
Property and equipment under capital lease, net	$	856,598

6. Revolving Line of Credit

In March 2017, the Company amended its credit agreement with a financial institution which increased the revolving line of credit (the “The Credit Line”) from $1,750,000 to $2,500,000. The Credit Line was renewed on December 14, 2018 and extends through September 30, 2020. The credit facility provides for a revolving line of credit equal to the lesser of $2,500,000 or the borrowing base as defined. The Credit Line is collateralized by substantially all of the Company’s assets and is guaranteed by a Member of the Company. The Line of Credit includes certain financial and non-financial covenants. Interest on outstanding borrowings is payable monthly at the LIBOR daily floating rate plus 2.50%. At December 31, 2019, the Company had no borrowings outstanding under the Line of Credit.

7. Long-Term Debt

Long-term debt at December 31, 2019 consisted of the following:

Notes Payable – Term Loans

On March 18, 2019, the Company entered into a revolving line of credit facility (“Facility No. 1”) in the amount of $8,000,000. Facility No.1 is available to the Company between March 19, 2019 and March 18, 2023. Interest is payable on any outstanding borrowing which is equal to the LIBOR Daily Floating Rate plus 2.50%. Facility No.1 includes certain financial and non-financial covenants and is collateralized by substantially all of the Company’s assets. At December 31, 2019, the Company had borrowings of $7,030,000 outstanding under the Facility. During 2020, the Company increased the borrowings under Facility No. 1 to $8,000,000.

On March 16, 2020, the Company opted to convert Facility No. 1 into a term loan (“Term Loan 4”). Principal payments are due in equal installments beginning April 18, 2020 and ending March 18, 2023.

On December 14, 2018, the Company entered into a term loan agreement ("Term Loan 3") in the amount of $3,500,000 with a financial institution. Borrowings under Term Loan 3 accrue interest at a fixed rate of 5.46%. Borrowings under Term Loan 3 are payable in 36 fixed monthly installments of $105,960, and Term Loan 3 matures on November 30, 2021. Term Loan 3 is secured by the assets of the Company and guaranteed by a Member of the Company. Under the terms of Term Loan 3, the Company is subject to certain reporting and financial covenants including maintaining certain financial ratios. The balance of Term Loan 3 at December 31, 2019 was $2,403,749.

On October 17, 2017, the Company entered into a term loan agreement ("Term Loan 2") in the amount of $3,500,000 with a financial institution. Borrowings under Term Loan 2 accrue interest at a fixed rate of 4.5%. Borrowings under Term Loan 2 are payable in 36 fixed monthly installments of $104,135, and Term Loan 2 matures on October 17, 2020. Term Loan 2 is secured by the assets of the Company and guaranteed by a Member of the Company. Under the terms of Term Loan 2, the Company is subject to certain reporting and financial covenants including maintaining certain financial ratios. The balance of Term Loan 2 at December 31, 2019 was $1,020,071.

On March 13, 2017, the Company entered into a term loan (“Term Loan 1”) in the amount of $1,000,000 for equipment purchases. Repayment on Term Loan 1 commenced on April 13, 2017 and is payable in monthly principal installments of $41,667 plus interest at LIBOR plus 2.75%. Term Loan 1 matured on March 13, 2019, at which time all unpaid principal and interest was due. Term Loan 1 was collateralized by the Company’s assets and guaranteed by a Member of the Company. All amounts owed under Term Loan 1 were repaid in 2019.

As of December 31, 2019, the Company was not in compliance with the Debt Service Coverage Ratio (as defined) financial covenant. On December 4, 2020, the Company received a waiver from the lender for the noncompliance.

Non-Revolving Lines of Credit

In December 2015, the Company entered into a non-revolving line of credit agreement ("NRLCA 2") which permitted borrowings up to a maximum of $1,600,000 for equipment purchases through the draw period ending April 17, 2016. Interest only was payable monthly at the LIBOR plus 2.50% per annum during the draw period. Commencing May 2016, monthly principal payments began at $46,740 including interest at 3.25% per annum through April 2019, at which time all unpaid principal and interest was due. The NRCLCA 2 was collateralized by the Company assets, guaranteed by a Member of the Company, and subject to financial and nonfinancial covenants. All amounts owed under NRLCA were repaid in 2019.

In August 2014, the Company entered into a non-revolving line of credit agreement ("NRLCA 1") which permitted borrowings up to a maximum of $4,000,000 for equipment purchases through the draw period ending February 21, 2016. Interest only was payable monthly at LIBOR plus 2.50% per annum during the draw period. Commencing March 2016, monthly principal payments began at $120,300 including interest at 2.85% per annum through February 2019, at which time all unpaid principal and interest was due. The NRLCA 1 was collateralized by the Company's assets, guaranteed by a Member of the Company and subject to financial and nonfinancial covenants. All amounts owed under NRCLA 1 were repaid in 2019.

The future minimum annual payments on long-term debt as of December 31, 2019 are as follows:

2020	$	4,237,630
2021		3,901,332
2022		2,363,338
Total future payments		10,502,300
Less: Current portion		(4,237,630)
Total long-term debt	$	6,264,670

8. Related Party Transactions

During 2019, a note receivable due from a Member of $670,270 was distributed as a draw, resulting in a non-cash transaction.

9. Commitments and Contingencies

The Company leases its offices and operating facilities under operating lease agreements which expire through June 30, 2024. The leases provide for aggregate monthly lease payments ranging from $39,737 to $44,128 per month over the lease terms. Under the terms of the lease agreements, the Company is also responsible for operating expenses including utilities and real estate taxes. Rent expense is recognized on the straight-line method over the term of the leases. The difference between the contractual rent according to the terms of the leases and the rent expense recorded in the financial statements is recorded as deferred rent. Deferred rent was $11,763 at December 31, 2019.

As of December 31, 2019, future minimum lease payments under the operating lease agreements were as follows:

2020	$	388,387
2021		388,387
2022		388,387
2023		388,387
2024		194,193
Total future minimum lease payments	$	1,747,741

Rent expense for the year ended December 31, 2019 was $657,314 and includes expenses for utilities and real estate taxes.

The Company can be a party to lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage to reduce its risk of loss. The Company accrues for loss contingencies when the matter becomes known, is deemed to be a probable loss and estimable. As of December 31, 2019, no accrual for loss contingencies were deemed necessary.

10. Concentration of Risk and Uncertainty

Credit Risk

The Company maintains cash in bank accounts which may, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

Trade accounts receivable are due primarily from financial institutions and other owners of automated teller machines. The Company does not require collateral from its customers but may suspend service if a default in payment occurs. As of December 31, 2019, accounts receivable from two customers represented approximately 64% of total accounts receivables. These two customers also accounted for approximately 33% of the total revenues in 2019.

Supply Risk

The Company's business depends on the availability, capacity, affordability, reliability and security of third-party cellular network service providers. Only a small number of major cellular providers in the United States offer the cellular network services the Company requires. The majority of the Company’s network services are currently purchased from a limited number of major national network service providers. Although management believes that alternate network providers could be found in a timely manner, any disruption of these services could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Outside Networking Devices (Note 3)

The Company’s products are concentrated in the networking and smart connected industries, which are characterized by rapid technological advances, changes in customer requirements and evolving regulatory requirements and industry standards. The success of the Company depends on management’s ability to anticipate and/or respond quickly and adequately to such changes. Any significant disruption in the functioning of the Company’s products could have a material adverse effect on its business and operating results. As of December 31, 2019, approximately 80% of the Company's networking routers (included in property and equipment) are in service at multiple locations owned by two of its customers.

11. Subsequent Events

On May 4, 2020, the Company obtained a Business Loan (the “PPP Loan 1”) in the amount of $1,688,979 at an interest rate of 1% from its financial institution under the CARES Act which was passed by Congress and signed into law on March 27, 2020. The Paycheck Protection Program established by the CARES Act, was designed to provide direct incentive for small businesses to keep their employees on the payroll. Principal and interest on the PPP Loan 1 is due in equal monthly payments commencing on the first payment date, which is after November 4, 2020, and continuing on the same day of each month thereafter until the maturity date. PPP Loan 1 matures on May 4, 2022. If the Company meets certain conditions, the PPP Loan 1 may ultimately be forgiven in whole or in part.

On April 30, 2020, the Company obtained a Business Loan (the “PPP Loan 2”) in the amount of $155,189 at an interest rate of 1% from its financial institution under the CARES Act. Principal and interest on the PPP Loan 2 is due in equal monthly payments commencing on the first payment date, which is after October 30, 2020, and continuing on the same day of each month thereafter until the maturity date. The Loan matures on April 30, 2022. If the Company meets certain conditions, the PPP Loan 2 may ultimately be forgiven in whole or in part.

Ventus Holdings, LLC and Subsidiaries
Consolidated Financial Statements
December 31, 2020

Ventus Holdings, LLC and Subsidiaries
Index to Consolidated Financial Statements
December 31, 2020

	Page(s)
Independent Auditor’s Report	1-2
Financial Statements:	
Consolidated Balance Sheet	3
Consolidated Statement of Operations	4
Consolidated Statement of Changes in Members’ Equity	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 -16

REYNOLDS + ROWELLA
ACCOUNTING AND CONSULTING

Independent Auditor's Report

To the Members of
Ventus Holdings, LLC
and Subsidiaries
Norwalk, Connecticut

We have audited the accompanying consolidated financial statements of Ventus Holdings, LLC and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 financial position of Ventus Holdings, LLC and Subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Reynolds + Rowella, LLP
Reynolds + Rowella, LLP

New Canaan, Connecticut
August 2, 2021

Ventus Holdings, LLC and Subsidiaries
Consolidated Balance Sheet
As of December 31, 2020

Assets		
Current Assets:		
Cash and cash equivalents	$	6,290,686
Accounts receivable		4,453,759
Inventory		1,186,877
Prepaid expenses and other current assets		546,658
Total Current Assets		12,477,980
Property and equipment, net		16,135,406
Capitalized software costs, net		1,808,897
Security deposit		252,002
Total Assets	$	30,674,285
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable	$	1,056,415
Accrued expenses		804,132
Deferred revenue		1,712,088
PPP Loan		1,844,168
Note payable, current portion		3,902,967
Capital leases, current portion		504,868
Total Current Liabilities		9,824,638
Note payable, less current portion		3,333,333
Total Liabilities		13,157,971
Members' Equity		17,516,314
Total Liabilities and Members' Equity	$	30,674,285

See accompanying notes to consolidated financial statements.

Ventus Holdings, LLC and Subsidiaries
Consolidated Statement of Operations
For the Year Ended December 31, 2020

Net Revenues	$ 46,124,012
Cost of Goods and Services	10,774,188
Gross Profit	35,349,824
Operating Expenses:	
Selling, general and administrative expenses	16,478,865
Depreciation and amortization	3,209,788
Research and development	268,488
Advertising	74,313
Total Operating Expenses	20,031,454
Income From Operations	15,318,370
Other Income (Expenses):	
Other income	16,049
Interest expense	(385,638)
Total Other Expenses, Net	(369,589)
Net Income	$ 14,948,781

See accompanying notes to consolidated financial statements.

Ventus Holdings, LLC and Subsidiaries
Consolidated Statement of Changes in Members' Equity
For the Year Ended December 31, 2020

		Total Members' Equity
December 31, 2019	$	11,008,336
Distributions to members		(8,440,803)
Net income		14,948,781
December 31, 2020	$	17,516,314

See accompanying notes to consolidated financial statements.

Ventus Holdings, LLC and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

Operating Activities		
Net income	$	14,948,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		3,209,788
Changes in operating assets and liabilities:		
Accounts receivable		433,400
Inventory		304,807
Prepaid expenses and other current assets		57,616
Accounts payable		(1,244,758)
Accrued expenses		224,573
Deferred revenue		274,791
Net Cash Provided by Operating Activities		18,208,998
Investing Activities		
Purchases of property and equipment		(1,625,502)
Cost of software development		(514,795)
Net Cash Used in Investing Activities		(2,140,297)
Financing Activities		
Proceeds from PPP loan		1,844,168
Repayments of note payable — bank, net		(3,266,000)
Repayment of capital lease obligations		(624,035)
Distributions to members		(8,440,805)
Net Cash Used in Financing Activities		(10,486,672)
Net Change in Cash and Cash Equivalents		5,582,029
Cash and Cash Equivalents, Beginning of Year		708,657
Cash and Cash Equivalents, End of Year	$	6,290,686
Supplemental cash flow disclosure information:		
Cash paid during the year for:		
Interest paid	$	385,638
Income taxes paid	$	91,387

See accompanying notes to consolidated financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Ventus Holdings, LLC and Subsidiaries (the "Company") is a provider of customized managed network services for distributed enterprises. The Company's managed network services are utilized for the deployment of all types of networked devices across the financial, office, retail, and hospitality sectors including automated teller machines, point of sale equipment, and automated kiosks. These aggregated services are delivered to our customers as a complete Network-as-a-Service solution which includes network design, network testing, hardware procurement, field services, maintenance, monitoring, reporting, technical support, and electronic billing. The Company also conducts certain business activities under the names Ventus Wireless LLC, Ventus Networks, LLC, Kick Wireless Services, LLC, Ventus IP Holdings, LLC, Ventus Wireless Services, Inc. Ventus Technologies, LLC, Vclipz Inc., Ventus Wireless CA, Inc., and Ventus Global Communications, LLC.

Principles of Consolidation

The consolidated financial statements include the accounts of Ventus Holdings, LLC's wholly owned subsidiaries: Ventus Wireless, LLC, Ventus Technologies, LLC, Kick Wireless Services, LLC, Ventus Global Communications, LLC, and the related entities; Ventus Networks, LLC, Ventus IP Holdings, LLC, Ventus Wireless Services, Inc, Ventus Wireless CA, Inc, and VClipz, Inc. All inter-company accounts and transactions have been eliminated in the consolidation of these subsidiaries.

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 606 *Revenue from Contracts with Customers* ("ASC Topic 606"), as amended. ASC Topic 606 requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange from those goods or services. The Company follows a five-step model to (a) identify the contract with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the Company satisfies a performance obligation. In determining the transaction price, the Company includes variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Company's primary sources of revenues are (1) monthly managed-service revenues, and (2) sale of equipment. However, an allowance is not recorded at the time of sale because the Company believes that returns are minimal based on historical experience.

Managed-Service Revenue:

Generally, service revenues are billed on the first of the month and are recognized as revenue when the services are rendered, and the revenue recognition criteria have been met. Amounts that have been invoiced are recorded in accounts receivable and deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Equipment or Product Revenue:

In connection with its managed network services, the Company may sell customers proprietary cellular and broadband routers. Such equipment is generally billed and recognized as revenue upon shipment to the customers.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2020.

Accounts Receivable

Accounts receivable are carried at original invoiced amounts less an estimate made for an allowance for doubtful accounts. The allowance for doubtful accounts is determined based on a review of outstanding amounts monthly. Management determines the allowance for doubtful accounts by regularly evaluating individual customer balances and considering the customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as a reduction to bad debt expense when received.

The Company considers all accounts receivable balances to be fully collectible as of December 31, 2020, and therefore no allowance for doubtful accounts was considered necessary.

Inventories

Inventory consists primarily of assembled network routers and spare parts which are valued at lower of cost or market, with cost being determined by the weighted-average cost method.

Property and Equipment, Net

Property and equipment are carried at historical cost, less accumulated depreciation. Depreciation of property and equipment is recorded using the straight-line method based on the following estimated useful lives:

	Years
Network routers	7–10
Furniture and fixtures	5–7
Computer equipment	5
Vehicles	3-5

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Capitalized Software and Development Costs, Net

Costs incurred during the application development phase of internally developed software are capitalized only when the Company believes it is probable the development will result in new or additional functionality. Capitalized internally developed software is amortized on a straight-line basis over its estimated life of 3 to 5 years once it is placed into service. Capitalized costs during the application development phase may include employee compensation and third-party consulting and related development costs. Costs related to the preliminary project phase and post-implementation activities are expensed as incurred.

Long- Lived Assets and Impairment Assessment

The Company evaluates long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions, or other events that indicate an asset's carrying amount may not be recoverable. If such review indicates that the carrying amount of long-lived assets are not recoverable, the carrying amount of such assets is reduced to its estimated fair value.

Research and Development

Research and development expenditures which are expensed as incurred, were $268,488 for the year ended December 31, 2020.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the year ended December 31, 2020 were $74,313.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods and services.

Income Taxes

As a limited liability company, the Company has elected to be taxed as a partnership. As such, income passes through to the Members and the Company has no liability for federal and state income taxes except for Connecticut income taxes.

Management has evaluated all significant tax positions as required by generally accepted accounting principles in the United States of America. Management is of the opinion that the Company has not taken any material tax positions that would require the recording of any or an additional tax liability by the Company or for the Members of the Company, nor is Management of the opinion that there are any unrealized tax benefits that would either require recognition or disclosure. If required, it is the Company's policy to recognize any estimated interest and penalties in the provision for taxes. The Company’s 2018 through 2020 tax returns are subject to examination by federal, state and local tax authorities.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting (“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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (ASU 2016-02)*. ASU 2016-02 requires all leases with terms greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. ASU 2016-02 will be effective for years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact the standard will have on its financial statements and related disclosures upon adoption.

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The amendments are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021 and early adoption is permitted. The Company is currently evaluating the impact that the updates to the standard will have on its financial statements upon adoption.

Events Occurring After Reporting Date

The Company has evaluated events and transactions occurring between December 31, 2020 and August 2, 2021, which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

2. Inventories

Inventories on December 31, 2020 consisted of the following:

Routers	$	930,687
Spare parts		256,190
Total	$	1,186,877

3. Property and Equipment, Net

Property and equipment, net at December 31, 2020 consisted of the following:

Network routers	$	29,974,954
Computers and equipment		5,710,498
Furniture and leasehold improvements		1,661,464
Router molds, tooling and dies		424,010
Vehicles		126,092
Total property and equipment, at cost		37,897,018
Less: accumulated depreciation and amortization		(21,761,612)
Property and equipment, net	$	16,135,406

Depreciation and amortization expense pertaining to property and equipment for the year ended December 31, 2020 was $2,990,111.

4. Capitalized Software and Development, Net

Capitalized software and development costs, net on December 31, 2020 consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible asset capitalized software costs	$ 2,196,772	$ (387,875)	$ 1,808,897
Total	$ 2,196,772	$ (387,875)	$ 1,808,897

Amortization of expense pertaining to capitalized software and development cost for the year ended December 31, 2020 was $219,677.

The estimated amortization expense for the next five years ending December 31 is as follows:

2021	$ 439,354
2022	439,354
2023	439,354
2024	439,354
2025	51,481
Total estimated amotization expense	$ 1,808,897

5. Capital Leases

The Company computer equipment under various non-cancelable capital leases expiring at various times. Amortization related to the leased assets is included in depreciation and amortization expense. The future minimum annual payments under capital lease arrangements as of December 31, 2020 are as follows:

2021	504,868
Total Future Lease Payments	$ 504,868

As of December 31, 2020, capital leases included in property and equipment in the consolidated balance sheet consisted of:

Equipment	$ 1,205,557
Total property and equipment under capital lease	1,205,557
Less: accumulated depreciation	(690,944)
Property and equipment under capital lease, net	$ 514,613

6. Revolving Line of Credit

In March 2017, the Company amended its credit agreement with a financial institution which increased the revolving line of credit (the “Credit Line”) from $1,750,000 to $2,500,000. The Credit Line was renewed on December 14, 2018 and extended through September 30, 2020. On December 4, 2020, the Company amended the existing agreement which extended the available borrowing period of Credit Line from September 30, 2020 to September 30, 2021. The credit facility provides for a revolving line up to $2,500,000 or the borrowing base as defined. The Credit Line is collateralized by substantially all the Company’s assets and is guaranteed by a Member of the Company. The Credit Line includes certain financial and non-financial covenants. Interest on outstanding borrowings is payable monthly at the LIBOR daily floating rate plus 2.50%. At December 31, 2020, the Company had no borrowings outstanding under the Credit Line.

7. Long-Term Debt

Long-term debt on December 31, 2020 consisted of the following:

Notes Payable – Term Loans

On March 18, 2019, the Company entered a revolving line of credit facility (“Facility No. 1”) in the amount of $8,000,000. Facility No.1 is available to the Company between March 19, 2019 and March 18, 2023. Interest is payable on any outstanding borrowing which is equal to the LIBOR Daily Floating Rate plus 2.50%.

On March 16, 2020, the Company opted to convert Facility No. 1 into a term loan (“Term Loan 3”). Principal payments are due in equal installments beginning April 18, 2020 and ending March 18, 2023. As of December 31, 2020, the Company had borrowings of $6,000,000 outstanding under Term Loan 3. Borrowing under Term Loan 3 accrue interest at a fixed rate of 2.64%. Borrowings under Term Loan 3 are payable in fixed monthly installments of $222,222. Term Loan 3 is secured by the assets of the Company and guaranteed by a Member of the Company. Under the terms of Term Loan 3, the Company is subject to certain reporting and financial covenants including maintaining certain financial ratios.

On December 14, 2018, the Company entered into a term loan agreement ("Term Loan 2") in the amount of $3,500,000 with a financial institution. Borrowings under Term Loan 2 accrue interest at a fixed rate of 5.46%. Borrowings under Term Loan 2 are payable in 36 fixed monthly installments of $105,960, and Term Loan 2 matures on November 30, 2021. Term Loan 2 is secured by the assets of the Company and guaranteed by a Member of the Company. Under the terms of Term Loan 2, the Company is subject to certain reporting and financial covenants including maintaining certain financial ratios. The balance of Term Loan 2 at December 31, 2020 was $1,236,300.

On October 17, 2017, the Company entered into a term loan agreement ("Term Loan 1") in the amount of $3,500,000 with a financial institution. Borrowings under Term Loan 1 accrue interest at a fixed rate of 4.5%. Borrowings under Term Loan 1 are payable in 36 fixed monthly installments of $104,135, and Term Loan 1 matured on October 17, 2020. Term Loan 1 is secured by the assets of the Company and guaranteed by a Member of the Company. Under the terms of Term Loan 1, the Company was subject to certain reporting and financial covenants including maintaining certain financial ratios. All amounts owed under Term Loan 1 were repaid in 2020.

The future minimum annual payments on Note Payable for the year ending December 31 are as follows:

2021	$	3,902,967
2022		2,666,667
2023		666,666
Total future payments		7,236,300
Less: Current portion		(3,902,967)
Total Note Payable	$	3,333,333

8. Commitments and Contingencies

The Company leases its offices and operating facilities under operating lease agreements which expire through June 30, 2024. The leases provide for aggregate monthly lease payments ranging from $39,737 to $44,128 per month over the lease terms. Under the terms of the lease agreements, the Company is also responsible for operating expenses including utilities and real estate taxes. Rent expense is recognized on the straight-line method over the term of the leases. The difference between the contractual rent according to the terms of the leases and the rent expense recorded in the financial statements is recorded as deferred rent. Deferred rent was $1,433 on December 31, 2020.

The future annual minimum lease payments under the operating lease agreements for the years ending December 31 are as follows:

2021	$	388,387
2022		388,387
2023		388,387
2024		194,193
Total future minimum lease payments	$	1,359,354

Rent expense for the year ended December 31, 2020 was $606,294 and includes expenses for utilities and real estate taxes.

The Company can be a party to lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage to reduce its risk of loss. The Company accrues for loss contingencies when the matter becomes known, is deemed to be a probable loss and estimable. As of December 31, 2020, no accrual for loss contingencies were deemed necessary.

9. Concentration of Risk

Credit Risk

The Company maintains cash in bank accounts which may, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

Trade accounts receivable are due primarily from financial institutions and other owners of automated teller machines. The Company does not require collateral from its customers but may suspend service if a default in payment occurs. As of December 31, 2020, accounts receivable from two customers represented approximately 54% of total accounts receivables. These two customers also accounted for approximately 32% of the total revenues in 2020.

Supply Risk

The Company's business depends on the availability, capacity, affordability, reliability, and security of third-party cellular network service providers. Only a small number of major cellular providers in the United States offer the cellular network services the Company requires. The majority of the Company’s network services are currently purchased from a limited number of major national network service providers. Although management believes that alternate network providers could be found in a timely manner, any disruption of these services could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Outside Networking Devices (Note 3)

The Company’s products are concentrated in the financial and networking industry, which are impacted by rapid technological advances, changes in customer requirements and evolving regulatory requirements and industry standards. The success of the Company depends on management’s ability to anticipate and/or respond quickly and adequately to such changes. Any significant disruption in the functioning of the Company’s products could have a material adverse effect on its business and operating results. As of December 31, 2020, approximately 80% of the Company's networking routers (included in property and equipment) are in service at multiple locations owned by two of its customers.

10. Risk and Uncertainties

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As of the date of our audit report, the COVID-19 pandemic continues to persist domestically and globally. Accordingly, there is no assurance that the continued effect of the COVID-19 pandemic will not have a material adverse impact on the future results of the Company.

11. Payroll Protection Payroll Program Loan

On May 4, 2020, the Company obtained a Business Loan (the “PPP Loan 2”) in the amount of $1,688,979 at an interest rate of 1% from its financial institution under the CARES Act which was passed by Congress and signed into law on March 27, 2020. The Paycheck Protection Program established by the CARES Act, was designed to provide direct incentive for small businesses to keep their employees on the payroll. Principal and interest on the PPP Loan 2 is due in equal monthly payments commencing on the first payment date, which is after November 4, 2020, and continuing the same day of each month thereafter until the maturity date. PPP Loan 2 matures on May 4, 2022. If the Company meets certain conditions, the PPP Loan 2 may ultimately be forgiven in whole or in part. As of December 31, 2020, the full amount of the PPP Loan 2 is included in current liabilities on the consolidated balance sheet. The Company is currently in the process of applying for forgiveness of the PPP Loan 2.

On April 30, 2020, the Company obtained a Business Loan (the “PPP Loan 1”) in the amount of $155,189 at an interest rate of 1% from its financial institution under the CARES Act. Principal and interest on the PPP Loan 1 is due in equal monthly payments commencing on the first payment date, which is after October 30, 2020, and continuing the same day of each month thereafter until the maturity date. The Loan matures on April 30, 2022. If the Company meets certain conditions, the PPP Loan 1 may ultimately be forgiven in whole or in part. As of December 31, 2020, the full amount of the PPP Loan 1 is included in current liabilities on the consolidated balance sheet. The Company is currently in the process of applying for forgiveness of the PPP Loan 1.

12. Subsequent Events

On January 14, 2021, the Company entered into a Settlement Agreement and Mutual Release (the “Settlement Agreement”) with Larsen and Toubro Infotech Limited (herein “LTI”), an Indian Corporation, and LTI Infotech Financial Services Technologies, Inc. (herein “LTI”), a Canadian corporations and their respective affiliated companies, related to information technology services, including developing an application known as the Ventus Cloud Management System (“VCM”) that the Company had engaged LTI to perform in 2014. On February 12, 2021, the Company received $425,000 under the terms of the Settlement Agreement. This amount is the full and final settlement of all claims which were or could have been, asserted against LTI by the Company, whether alleged in the litigation or not.

Ventus Holdings, LLC and Subsidiaries
Unaudited Condensed Consolidated Financial Statements
June 30, 2021

Ventus Holdings, LLC and Subsidiaries
Index to Unaudited Condensed Consolidated Financial Statements
June 30, 2021

Table of contents

Unaudited Condensed Consolidated Balance Sheets	**1**
Unaudited Condensed Consolidated Statements of Operations	**2**
Unaudited Condensed Consolidated Statements of Changes in Members' Equity	**3**
Unaudited Condensed Consolidated Statements of Cash Flows	**4**
Notes to the Unaudited Condensed Consolidated Financial Statements	**5**

Ventus Holdings, LLC and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets
June 30, 2021

	June 30, 2021		December 31, 2020	
Assets				
Current assets:				
Cash and cash equivalents	$	7,377,124	$	6,290,686
Accounts receivable		6,038,540		4,453,759
Inventory		1,661,197		1,186,877
Prepaid expenses and other current assets		553,242		546,658
Total current assets		**15,630,103**		**12,477,980**
Property and equipment, net		16,096,099		16,135,406
Capitalized software costs, net		1,670,179		1,808,897
Security deposit		252,002		252,002
Total assets	**$**	**33,648,383**	**$**	**30,674,285**
Liabilities and members' equity				
Current liabilities:				
Accounts payable	$	2,195,887	$	1,056,415
Accrued expenses		1,344,207		804,132
Deferred revenue		2,010,458		1,712,088
PPP loan		1,844,168		1,844,168
Notes payable		3,284,817		3,902,967
Capital leases		186,871		504,868
Total current liabilities		**10,866,408**		**9,824,638**
Notes payable, less current portion		2,009,373		3,333,333
Total liabilities		**12,875,781**		**13,157,971**
Members’ equity		**20,772,602**		**17,516,314**
Total liabilities and members’ equity	**$**	**33,648,383**	**$**	**30,674,285**

See accompanying notes to the unaudited condensed consolidated financial statements

Ventus Holdings, LLC and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
June 30, 2021

	For the six months ended	
	June 30, 2021	**June 30, 2020**
Net revenues	$ 26,655,463	$ 22,482,238
Cost of goods and services	6,340,277	5,126,780
Gross profit	**20,315,186**	**17,355,458**
Operating expenses:		
Selling, general and administrative expenses	8,475,467	7,157,731
Depreciation and amortization	1,643,020	1,757,332
Research and development	72,854	169,542
Advertising	31,902	397,449
Total operating expenses	**10,223,243**	**9,482,054**
Income from operations	**10,091,943**	**7,873,404**
Other income/(expenses):		
Other income	425,000	-
Interest expense	(112,932)	(226,027)
Total other income/(expense), net	**312,068**	**(226,027)**
Net income	**$ 10,404,011**	**$ 7,647,377**

See accompanying notes to the unaudited condensed consolidated financial statements

Ventus Holdings, LLC and Subsidiaries
Unaudited Condensed Consolidated Statements of Changes in Members' Equity
June 30, 2021

Balance at December 31, 2019	$	11,008,336
Distributions to members		(3,306,996)
Net income		7,647,377
Balance at June 30, 2020	**$**	**15,348,717**
Balance at December 31, 2020	$	17,516,314
Distributions to members		(7,147,723)
Net income		10,404,011
Balance at June 30, 2021	**$**	**20,772,602**

See accompanying notes to the unaudited condensed consolidated financial statements

Ventus Holdings, LLC and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows
June 30, 2021

	For the six months ended,	
	June 30, 2021	**June 30, 2020**
Operating activities		
Net income	$ 10,404,011	$ 7,647,377
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,643,020	1,757,332
Changes in operating assets and liabilities:		
Accounts receivable	(1,584,781)	5,427,424
Inventories	(474,320)	(2,565)
Prepaid expenses and other current assets	(6,584)	(527,937)
Accounts payable	1,139,472	(5,203,425)
Accrued expenses	540,075	(322,358)
Deferred revenue	298,370	-
Net cash provided by operating activities	**11,959,263**	**8,775,848**
Investing activities		
Sale and purchases of property and equipment	(1,215,838)	3,162,166
Cost of software development	(249,157)	(282,929)
Net cash used in investing activities	**(1,464,995)**	**2,879,237**
Financing activities		
Repayments of notes payable	(1,942,112)	916,560
Repayment of capital lease obligations	(317,997)	(310,313)
Distributions to members	(7,147,723)	(7,001,270)
Net cash used in financing activities	**(9,407,832)**	**(6,395,023)**
Net change in cash and cash equivalents	**1,086,438**	**5,260,062**
Cash and cash equivalents, beginning of period	**6,290,686**	**582,485**
Cash and cash equivalents, end of period	**$ 7,377,124**	**$ 5,842,547**
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest paid	$ 112,932	$ 18,856
Income taxes paid	$ 205,868	$ 7,938

See accompanying notes to the unaudited condensed consolidated financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Ventus Holdings, LLC and Subsidiaries (the "Company") is a provider of customized managed network services for distributed enterprises. The Company's managed network services are utilized for the deployment of all types of networked devices across the financial, office, retail, and hospitality sectors including automated teller machines, point of sale equipment, and automated kiosks. These aggregated services are delivered to our customers as a complete Network-as-a-Service solution which includes network design, network testing, hardware procurement, field services, maintenance, monitoring, reporting, technical support, and electronic billing. The Company also conducts certain business activities under the names Ventus Wireless LLC, Ventus Networks, LLC, Kick Wireless Services, LLC, Ventus IP Holdings, LLC, Ventus Wireless Services, Inc. Ventus Technologies, LLC, VClipz Inc., Ventus Wireless CA, Inc., and Ventus Global Communications, LLC.

Principles of Consolidation

The consolidated financial statements include the accounts of Ventus Holdings, LLC's wholly owned subsidiaries: Ventus Wireless, LLC, Ventus Technologies, LLC, Kick Wireless Services, LLC, Ventus Global Communications, LLC, and the related entities; Ventus Networks, LLC, Ventus IP Holdings, LLC, Ventus Wireless Services, Inc, Ventus Wireless CA, Inc, and VClipz, Inc. All inter-company accounts and transactions have been eliminated in the consolidation of these subsidiaries.

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board Accounting Standard Codification ("ASC") Topic 606 Revenue from Contracts with Customers ("ASC Topic 606"}, as amended. ASC Topic 606 requires the Company to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company follows a five-step model to (a) identify the contract with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the Company satisfies a performance obligation. In determining the transaction price, the Company includes variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

The Company's primary sources of revenues are (1) monthly managed-service revenues, and (2) sales of equipment.

<u>Managed-Service Revenue:</u>

Generally, service revenues are billed on the first of the month and are recognized as revenue when the services are rendered, and the revenue recognition criteria have been met. Amounts that have been invoiced are recorded in accounts receivable and deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

<u>Equipment or Product Revenue:</u>

In connection with its managed network services, the Company may sell customers proprietary cellular and broadband routers. Such equipment is generally billed and recognized as revenue upon shipment to the customers.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2021 and December 31, 2020.

Accounts Receivable

Accounts receivable are carried at original invoiced amounts less an estimate made for an allowance for doubtful accounts. The allowance for doubtful accounts is determined based on a review of outstanding amounts monthly. Management determines the allowance for doubtful accounts by regularly evaluating individual customer balances and considering the customer's financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as a reduction to bad debt expense when received.

The Company considers all accounts receivable balances to be fully collectible as of June 30, 2021 and December 31, 2020, and therefore no allowance for doubtful accounts was considered necessary.

Inventories

Inventory consists primarily of assembled network routers and spare parts which are valued at lower of cost or market, with cost being determined by the weighted-average cost method.

Property and Equipment Net

Property and equipment are carried at historical cost, less accumulated depreciation. Depreciation of property and equipment is recorded using the straight-line method based on the following estimated useful lives:

	Years
Network routers	7-10
Furniture and Fixtures	5-7
Computer equipment	5
Vehicles	3-5

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Capitalized Software and Development Costs, Net

Costs incurred during the application development phase of internally developed software are capitalized only when the Company believes it is probable the development will result in new or additional functionality. Capitalized internally developed software is amortized on a straight-line basis over its estimated life of 3 to 5 years once it is placed into service. Capitalized costs during the application development phase may include employee compensation and third-party consulting and related development costs. Costs related to the preliminary project phase and post-implementation activities are expensed as incurred.

Long-Lived Assets and Impairment Assessment

The Company evaluates long-lived assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. This includes but is not limited to significant adverse changes in business climate, market conditions, or other events that indicate an asset's carrying amount may not be recoverable. If such review indicates that the carrying amount of long-lived assets are not recoverable, the carrying amount of such assets is reduced to its estimated fair value.

Research and Development

Research and development expenditures which are expensed as incurred, were $72,854 and $169,542 for the six-month period ended June 30, 2021 and 2020, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the six-month period ended June 30, 2021 and June 30, 2020 were $31,902 and $31,208, respectively.

Shipping and Handling Costs

Shipping and handling costs are included in cost of goods and services.

Income Taxes

As a limited liability company, the Company has elected to be taxed as a partnership. As such, income passes through to the Members and the Company has no liability for federal and state income taxes except for Connecticut income taxes.

Management has evaluated all significant tax positions as required by generally accepted accounting principles in the United States of America. Management is of the opinion that the Company has not taken any material tax positions that would require the recording of any or an additional tax liability by the Company, nor is Management of the opinion that there are any unrealized tax benefits that would either require recognition or disclosure. If required, it is the Company's policy to recognize any estimated interest and penalties in the provision for taxes. The Company's 2018 through 2020 tax returns are subject to examination by federal, state and local tax authorities.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting ("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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires all leases with terms greater than 12 months to be recognized on the balance sheet through a right-of- use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. ASU 2016-02 will be effective for years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the impact the standard will have on its financial statements and related disclosures upon adoption.

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement, to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. The amendments are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021 and early adoption is permitted. The Company is currently evaluating the impact that the updates to the standard will have on its financial statements upon adoption.

Events Occurring After Reporting Date

The Company has evaluated events and transactions occurring between June 30, 2021 and December 31, 2021 which is the date the consolidated financial statements were available to be issued, for possible disclosure and recognition in the consolidated financial statements.

2. Inventories

Inventories as of June 30, 2021 and December 31, 2020 consisted of the following

	June 30, 2021	December 31, 2020
Routers	$ 547,681	$ 930,687
Spare Parts	967,664	256,190
3rd Party Hardware Inventory	145,852	-
Total	**$ 1,661,197**	**$ 1,186,877**

3. Property and Equipment, Net

Property and equipment, net as of June 30, 2021 and December 31, 2020 consisted of the following

	June 30, 2021	December 31, 2020
Network routers	$ 31,088,829	$ 29,974,954
Computers and equipment	5,784,764	5,710,498
Furniture and leasehold improvements	1,661,464	1,661,464
Router molds, tooling and dies	428,177	424,010
Vehicles	126,092	126,092
Total property and equipment, at cost	**$ 39,089,326**	**$ 37,897,018**
Less: Accumulated depreciation and amortization	(22,993,227)	(21,761,612)
Property and equipment, net	**$ 16,096,099**	**$ 16,135,406**

Depreciation and amortization expense pertaining to property and equipment for the six-months ended June 30, 2021 and 2020 was $1,255,145 and $1,574,988, respectively.

4. Capitalized Software and Development, Net

Capitalized software and development costs, net as of June 30, 2021 consisted of the following

	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible asset capitalized software costs	$ 2,445,929	$ (775,750)	$ 1,670,179
	$ 2,445,929	**$ (775,750)**	**$ 1,670,179**

Capitalized software and development costs, net as of December 31, 2020 consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible asset capitalized software costs	$ 2,196,772	$ (387,875)	$ 1,808,897
	$ 2,196,772	**$ (387,875)**	**$ 1,808,897**

Amortization expense pertaining to capitalized software and development cost for the six- months ended June 30, 2021 and 2020 was $387,875 and $182,344, respectively.

The estimated amortization expense related to intangible assets for the remainder of fiscal 2021 and the succeeding fiscal years ending December 31 were as follows:

2021 (six months)	$	(244,593)
2022		(489,186)
2023		(489,186)
2024		(320,988)
2025		(101,311)
Thereafter		(24,915)
Total estimated amortization expense	**$**	**(1,670,179)**

5. Capital Leases

The Company leases computer equipment under various non-cancelable capital leases expiring at various times. Amortization related to the leased assets is included in depreciation and amortization expense.

The future minimum payments under capital lease arrangements for the remainder of fiscal 2021 and the succeeding fiscal years were as follows:

2021 (six months)	$	186,871
Total future lease payments	**$**	**186,871**

As of June 30, 2021, and December 31, 2020, capital leases, net included in property and equipment in the consolidated balance sheet consisted of:

		June 30, 2021		**December 31, 2020**
Equipment	$	1,205,557	$	1,205,557
Less: Accumulated depreciation		(811,500)		(690,944)
Total property and equipment under capital lease, net	**$**	**394,057**	**$**	**514,613**

6. Long-Term Debt

Long-term debt as of June 30, 2021 consisted of the following:

Note Payable – Term Loans

On March 18, 2019 the Company entered a revolving line of credit facility (“Facility No. 1”) in the amount of $8,000,000. Facility No.1 is available to the Company between March 19, 2019 and March 18, 2023. Interest is payable on any outstanding borrowing which is equal to the LIBOR Daily Floating Rate plus 2.50%.

On March 16, 2020, the Company opted to convert Facility No. 1 into a term loan ("Term Loan 2").

Principal payments are due in equal installments beginning April 18, 2020 and ending March 18, 2023. As of June 30, 2021, the Company had borrowings of $4,666,667 outstanding under Term Loan 2. Borrowings under Term Loan 2 accrue interest at a fixed rate of 2.64%. Borrowings under Term Loan 2 are payable in fixed monthly installments of $222,222. Term Loan 2 is secured by the assets of the Company and guaranteed by a Member of the Company. Under the terms of Term Loan 2, the Company is subject to certain reporting and financial covenants including maintaining certain financial ratios.

On December 14, 2018, the Company entered into a term loan agreement ("Term Loan 1") in the amount of $3,500,000 with a financial institution. Borrowings under Term Loan 1 accrue interest at a fixed rate of 5.46%. Borrowings under Term Loan 1 are payable in 36 fixed monthly installments of $105,960, and Term Loan 1 matures on November 30, 2021. Term Loan 1 is secured by the assets of the Company and guaranteed by a Member of the Company. Under the terms of Term Loan 1, the Company is subject to certain reporting and financial covenants including maintaining certain financial ratios. The balance of Term Loan 1 as of June 30, 2021 was $627,523.

The Company was in compliance with the financial covenants as of June 30, 2021.

The future minimum payments on Notes Payable for the remainder of fiscal 2021 and for the succeeding fiscal years were as follows:

2021 (six months)	$	1,942,111
2022		2,685,413
2023		666,666
Total future payments		5,294,190
Less: Current portion		(3,284,817)
Total estimated amortization expense	**$**	**2,009,373**

7. Commitments and Contingencies

The Company leases its office and operating facilities under operating lease agreements which expire through June 30, 2024. The leases provide for aggregate monthly lease payments ranging from $39,737 to $44,128 per month over the lease terms. Under the terms of the lease agreements, the Company is also responsible for operating expenses including utilities and real estate taxes. Rent expense is recognized on the straight-line method over the term of the leases. The difference between the contractual rent according to the terms of the leases and the rent expense recorded in the financial statements is recorded as deferred rent. Deferred rent was $1,433 as of June 30, 2021 and December 31, 2020.

The future annual minimum lease payments for the remainder of fiscal 2021 and the succeeding fiscal years were as follows:

2021 (six months)	$	194,193
2022		388,387
2023		388,387
2024		194,193
Total future minimum lease payments	**$**	**1,165,160**

Rent expense for the six-month period ended June 30, 2021 and June 30, 2020 was $307,919 and $316,213 and includes expenses for utilities and real estate taxes.

The Company can be a party to lawsuits arising in the ordinary course of business. Management believes the Company has adequate insurance coverage to reduce its risk of loss. The Company accrues for loss contingencies when the matter becomes known, is deemed to be a probable loss and estimable. As of June 30, 2021, no accrual for loss contingencies were deemed necessary

8. Concentration of Risk

Credit Risk

The Company maintains cash in bank accounts which may, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk.

Trade accounts receivable are due primarily from financial institutions and other owners of automated teller machines. The Company does not require collateral from its customers but may suspend service if a default in payment occurs. As of June 30, 2021, and December 31, 2020, accounts receivable from two customers represented approximately 58% and 54% of total accounts receivables, respectively. These two customers also accounted for approximately 13% and 37% of the total revenues in for the six-month ended June 30, 2021 and 2020, respectively.

Supply Risk

The Company's business depends on the availability, capacity, affordability, reliability, and security of third-party cellular network service providers. Only a small number of major cellular providers in the United States offer the cellular network services the Company requires. The majority of the Company's network services are currently purchased from a limited number of major national network service providers. Although management believes that alternate network providers could be found in a timely manner, any disruption of these services could have a material adverse effect on the Company's financial position, results of operations and cash flows.

Outside Networking Devices (Note 3)

The Company's products are concentrated in the financial and networking industry, which are impacted by rapid technological advances, changes in customer requirements and evolving regulatory requirements and industry standards. The success of the Company depends on management's ability to anticipate and/or respond quickly and adequately to such changes. Any significant disruption in the functioning of the Company's products could have a material adverse effect on its business and operating results. As of June 30, approximately 80% of the Company's networking routers (included in property and equipment) are in service at multiple locations owned by two of its customers.

9. Risk and Uncertainties

On March 11, 2020, the World Health Organization declared a pandemic related to the rapidly spreading Coronavirus ("COVID-19") outbreak, which has led to a global health emergency. Throughout most of 2020, particularly during the first half of the year 2020, the COVID-19 pandemic has caused widespread. disruptions and had adversely affected the global economy resulting in an economic downturn. During the first half of, there has been a resurgence in COVID-19 cases, around the world including the United States. As a result, the extent to which the COVID-19 pandemic will continue to impact the Organization will depend on length of the resurgence and further federal or local government regulations. Accordingly, there is no assurance that the COVID-19 pandemic will not have a material adverse impact on the future operations of the Company.

10. Payroll Protection Payroll Program Loan

On May 4, 2020, the Company obtained a Business Loan ("PPP Loan 2") in the amount of $1,688,979 at an interest rate of 1% from its financial institution under the CARES Act which was passed by Congress and signed into law on March 27, 2020. The Paycheck Protection Program established by the CARES Act, was designed to provide direct incentive for small businesses to keep their employees on the payroll. PPP Loan 2 matures on May 4, 2022. If the Company meets certain conditions, PPP Loan 2 may ultimately be forgiven in whole or in part. As of June 30, 2021, and December 31, 2020, the full amount of the PPP Loan 2 is included in current liabilities on the consolidated balance sheet. PPP Loan 2 was forgiven by the Small Business Administration ("SBA") on September 18, 2021.

On April 29, 2020, the Company obtained a Business Loan ("PPP Loan 1") in the amount of $155,189 at an interest rate of 1% from its financial institution under the CARES Act. PPP Loan 1 matures on April 30, 2022. If the Company meets certain conditions, the PPP Loan 1 may ultimately be forgiven in whole or in part. As of June 30, 2021, and December 31, 2020, the full amount of the PPP Loan 1 is included in current liabilities on the consolidated balance sheet. PPP Loan 1 was forgiven by the SBA on September 30, 2021.

11. Settlement Agreement

On January 14, 2021, the Company entered into a final Settlement Agreement and Mutual Release (the "Settlement Agreement") with Larsen and Toubro lnfotech Limited (herein "LTl"), an Indian Corporation, and LTl lnfotech Financial Services Technologies, Inc. (herein "LTl"), a Canadian corporation and their respective affiliated companies, related to information technology services, including developing an application known as the Ventus Cloud Management System ("VCM") that the Company had engaged LTl to perform in 2014. On February 12, 2021, the Company received $425,000 under the terms of the Settlement Agreement. This amount is the full and final settlement of all claims which were or could have been, asserted against LTl by the Company, whether alleged in the litigation or not.

12. Subsequent Events

On November 1, 2021, the Company was acquired by Digi International (herein "Digi"), a leading provider of loT products and solutions supporting industries from retail and banking to medical.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introduction

The following unaudited pro forma condensed combined financial information as of June 30, 2021, for the nine-month period then ended and the twelve month period ended September 30, 2020, combines the historical consolidated financial position and results of operations of Digi International Inc. ("Digi" or "the Company") and Ventus after giving effect to the transaction consummated pursuant to the Purchase Agreement by and among Keith Charette, Steven Glaser, The Keith R. Charette DE Incomplete – Gift Non-Grantor Trust, a Delaware irrevocable trust (collectively the "Sellers"), Ventus Networks, LLC, a Connecticut limited liability company, Ventus Holdings, LLC, a Delaware limited liability company, Ventus IP Holdings, LLC, a Delaware limited liability company, Ventus Wireless Services, Inc., a Delaware corporation, Ventus Wireless CA, Inc., a California corporation, VClipz, Inc., a Delaware corporation (collectively "Ventus"), and Digi International Inc., a Delaware corporation (the "Acquisition" or the "Transaction").

The unaudited pro forma condensed combined financial information has been prepared to give effect to the following:

- The acquisition of Ventus by Digi under the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, ASC 805, Business Combinations, where the assets and liabilities of Ventus will be recorded by Digi at their respective fair values as of the date the acquisition is completed;

- Certain reclassifications to conform historical financial statement presentation of Ventus to Digi; and

- Certain other material related transactions, including financing with proceeds used to facilitate the Acquisition

The following unaudited pro forma condensed combined financial statements are presented as follows:

- The unaudited pro forma condensed combined statement of operations for the year ended September 30, 2020 was prepared based on (i) the historical audited consolidated statement of operations of Digi for the fiscal year ended September 30, 2020 (which is available in the Digi International Inc. Annual Report on Form 10-K for the fiscal year ended September 30, 2020) and (ii) the historical audited consolidated statement of operations of Ventus for the fiscal year ended December 31, 2020.

- The unaudited pro forma condensed combined statement of operations for the nine-months ended June 30, 2021 was prepared based on (i) the historical unaudited condensed consolidated statement of operations of Digi for the nine-months ended June 30, 2021 (which is available in the Digi International Inc. Form 10-Q for the quarterly period ended June 30, 2021) and (ii) the historical unaudited consolidated statement of operations of Ventus from October 1, 2020 through June 30, 2021.

- The unaudited pro forma condensed combined balance sheet as of June 30, 2021was prepared based on (i) the historical unaudited condensed consolidated balance sheet of Digi as of June 30, 2021 (which is available in the Digi International Inc. Form 10-Q for the quarterly period ended June 30, 2021) and (ii) the unaudited balance sheet of Ventus as of June 30, 2021.

The unaudited pro forma condensed combined statements of operations for the nine-months ended June 30, 2021 and the year ended September 30, 2020 give effect to the Digi acquisition of Ventus as if it had occurred on October 1, 2019. The unaudited pro forma condensed combined balance sheet as of June 30, 2021 gives effect to the transaction as if it had occurred on June 30, 2021.

The unaudited pro forma condensed combined financial information is provided for illustrative informational purposes only. The unaudited pro forma condensed combined financial information is not necessarily, and should not be assumed to be, an indication of the actual results that would have been achieved had the Acquisition been completed as of the dates indicated or that may be achieved in the future, including any potential effects of changes in market conditions on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors. The unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of Digi following the completion of the Acquisition. The unaudited pro forma financial information does not include adjustments to reflect any potential synergies or cost savings that may be achievable in connection with the Acquisition and related transactions. The unaudited pro forma condensed combined financial information has been prepared by Digi in accordance with Regulation S-X Article 11, *Pro Forma Financial Information*, as amended by the final rule, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*, as adopted by the SEC on May 21, 2020.

Description of the Transaction

On November 1, 2021, pursuant to the terms of the Purchase Agreement, Digi completed the Ventus acquisition with a purchase price valued at approximately $347.6 million, subject to certain adjustments (including a customary working capital adjustment). In connection with the Ventus acquisition, Digi amended their existing credit facility and entered into the second amended and restated credit agreement with BMO Harris Bank ("BMO"), totaling $385 million in commitments. The $385 million credit facility is inclusive of a $350 million term loan and a $35 million revolving credit facility. The revolving credit facility includes a $10 million letter of credit subfacility and $10 million swingline subfacility. At the time of the acquisition, Digi had not drawn on the revolving credit facility.

On December 22, 2021, Digi further amended the credit facility and entered into the third amended and restated credit agreement with BMO. The third amendment further modified the second amended and restated credit arrangement by adjusting the previously agreed upon interest rate for the term loan and revolving credit facility.

The proceeds from the new credit agreement have been or will be used to fund the cash portion of the purchase consideration, the repayment of Ventus indebtedness, settlement of any net working capital surplus, and for other corporate purposes.

Borrowings under the term loan facility bear interest at a rate per annum equal to LIBOR with a floor of 0.50% for an interest period of one, three or six months as selected by Digi, reset at the end of the selected interest period (or a replacement benchmark rate if LIBOR is no longer available) plus 5.00% or a base rate plus 4.00%. The base rate is determined by reference to the highest of (1) BMO's prime rate, (2) the Federal Funds Effective Rate plus 0.5%, or (3) one-month LIBOR for U.S. dollars plus 1.00%. The applicable margin for loans under the revolving credit facility is in a range of 4.00-3.75% for LIBOR loans and 3.00 to 2.75% for base rate loans, depending on Digi's consolidated leverage ratio. The consolidated leverage ratio is defined as the ratio of Digi's consolidated total funded indebtedness minus unrestricted cash as of such date to consolidated earnings before interest, taxes, depreciation and amortization for such period.

This term loan is secured by substantially all of the personal property assets of Digi and its subsidiaries. The agreement with BMO contains customary events of default, the occurrence of which would permit the lenders to terminate their commitments and accelerate loans under BMO, including failure to make payments to the lender, failure to comply with covenants in the agreement and other loan documents, cross default to other material indebtedness of Digi or any of its subsidiaries, failure of Digi or any of its subsidiaries to pay or discharge material judgments, bankruptcy of Digi or any of its subsidiaries, and change of control of Digi.

The allocation of the pro forma purchase price reflected in the unaudited pro forma condensed combined financial information is preliminary and subject to adjustment and may vary significantly from the actual purchase price allocation upon finalization of the purchase price allocation.

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

- The accompanying notes to the unaudited pro forma condensed combined financial statements;
- Digi's audited historical consolidated financial statements and related notes for the year ended September 30, 2020 and the unaudited historical consolidated financial statements and related notes for the nine months ended June 30, 2021;
- Ventus' audited historical consolidated financial statements and related notes for the year ended December 31, 2020 and unaudited interim financial statements for the six-month periods ended June 30, 2021 as included in Exhibit 99.3 to this filing.

Unaudited Pro Forma Condensed Combined Balance Sheet

(in thousands)

	Historical Digi International Inc. as of June 30, 2021 (as reported)	Historical Ventus Holdings as of June 30, 2021 (as reported)	Reclassification and elimination adjustments Note 2	Note	Transaction accounting adjustments Note 3	Note	Other adjustments Note 5	Note	Digi International Inc. combined pro forma as of June 30, 2021
Current assets									
Cash and cash equivalents	$ 146,942	$ 7,377			$ (62,625)	**3B**			$ 91,694
Accounts receivable-net	41,276	6,039							47,315
Inventories	47,263	1,661							48,924
Other current assets	10,833	–	553						11,386
Prepaids & other current assets	–	553	(553)						–
Total current assets	246,314	15,630	–		(62,625)		–		199,319
Property, equipment and improvements, net	12,559	16,096							28,655
Operating lease right-of-use assets	16,342	–			1,104	**3E**			17,446
Identifiable intangible assets, net	114,982	–			211,000	**3C**			325,982
Goodwill	221,331	–			110,744	**3F**			332,075
Deferred tax assets	160	–							160
Other non-current assets	1,363	–	1,922		(1,670)	**3D**			1,615
Capitalized software costs, net		1,670	(1,670)						–
Security deposit		252	(252)						–
Total assets	**$ 613,051**	**$ 33,648**	**$ –**		**$ 258,553**		**$ –**		**$ 905,252**
Current liabilities									
Current portion of long-term debt	$ –	$ 3,285	$ 1,844		$ (1,844)	**3G**	$ 44,795	**5A**	$ 48,080
Accounts payable	18,840	2,196							21,036
Accrued compensation	11,544	–							11,544
Unearned revenue	13,047	2,010							15,057
Contingent consideration on acquired business	3,000	–							3,000
Current portion of operating lease liabilities	2,680	–			356	**3E**			3,036
Other current liabilities	8,304	–	1,531						9,835
PPP loan	–	1,844	(1,844)						–
Accrued expenses	–	1,344	(1,344)						–
Capital leases, current portion	–	187	(187)						–
Total current liabilities	57,415	10,866	–		(1,488)		44,795		111,588
Income taxes payable	2,067	–							2,067
Deferred tax liabilities	18,662	–							18,662
Long-term debt	45,670	2,009					240,370	**5A**	288,049
Operating lease liability	19,072	–			748	**3E**			19,820
Other noncurrent liabilities	4,694	–							4,694
Total liabilities	147,580	12,875	–		(740)		285,165		444,880
Preferred stock, $.01 par value; 2,000 shares authorized; none issued and outstanding	–	–							–
Common stock, $.01 par value; 60,000,000 shares authorized; 40,530,498 and 35,512,843 shares issued	405	–							405
Additional paid-in-capital	367,253	–							367,253
Retained earnings	176,116	20,773			(25,872)	**3H**			171,017
Accumulated other comprehensive income (loss)	(21,749)	–							(21,749)
Treasury stock, at cost, 6,419,504 and 6,353,094 shares	(56,554)	–							(56,554)
Total shareholders' equity	465,471	20,773	–		(25,872)				460,372
Total liabilities and equity	**$ 613,051**	**$ 33,648**	**$ –**		**$ (26,612)**		**$ 285,165**		**$ 905,252**

See the accompanying notes to the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Operations

(in thousands, except for per share data)

	Historical Digi International Inc Nine-months ended June 30, 2021 (as reported)	Historical Ventus Holdings Nine-months ended June 30, 2021 (as reported)	Reclassification and elimination adjustments Note 2	Note	Transaction accounting adjustments Note 4	Note	Other adjustments Note 5	Note	Digi International Inc. combined pro forma Nine-months ended June 30, 2021
Revenues	$ 229,526	$ 38,498							$ 268,024
Cost of sales	105,495	9,202	1,604						116,301
Gross profit	124,031	29,296	(1,604)						151,723
Operating expenses									
Sales and marketing	46,271	–	12,176						58,447
Research and development	34,822	187	21						35,030
General and administrative	34,701	–	2,463		8,120	**4A**			45,284
Restructuring charge (reversal)	995	–	–						995
Selling, general and administrative expenses	–	13,530	(13,530)						–
Depreciation and amortization	–	2,735	(2,735)						–
Advertising	–	(1)	1						–
Total operating expenses	116,789	16,451	(1,604)		8,120				139,756
Operating income	7,242	12,845	–		(8,120)				11,967
Other (expense) income, net:									
Interest income	4	–							4
Interest expense	(1,019)	(188)					(14,717)	**5A**	(15,924)
Other (expense) income, net:	(229)	441							212
Total other (expense) income, net	(1,244)	253					(14,717)		(15,708)
Income before income taxes	5,998	13,098			(8,120)		(14,717)		(3,741)
Income tax expense (benefit)	220	–			(1,753)	**4C**			(1,533)
Net income (loss)	**$ 5,778**	**$ 13,098**			**$ (6,367)**		**$ (14,717)**		**$ (2,208)**
Net income (loss) per common share:									
Basic and diluted									**$ (0.07)**
Weighted average common shares:									
Basic and diluted									**31,443**

See the accompanying notes to the unaudited pro forma condensed combined financial information.

Unaudited Pro Forma Condensed Combined Statement of Operations

(in thousands except for per share data)

	Historical Digi International Inc Year ended September 30, 2020 (as reported)	Historical Ventus Holdings Year ended December 31, 2020 (as reported)	Reclassification and elimination adjustments Note 2	Note	Transaction accounting adjustments Note 4	Note	Other adjustments Note 5	Note	Digi International Inc. combined pro forma Year ended September 30, 2020
Revenues	$ 279,271	$ 46,124							$ 325,395
Cost of sales	135,299	10,774	2,092						148,165
Gross profit	143,972	35,350	(2,092)						177,230
Operating expenses									
Sales and marketing	52,761	–	11,754						64,515
Research and development	43,765	268	410						44,443
General and administrative	36,012	–	5,507		14,276	**4A/4B**			55,795
Restructuring charge (reversal)	117	–	–						117
Selling, general and administrative expenses	–	16,479	(16,479)						–
Depreciation and amortization	–	3,210	(3,210)						–
Advertising	–	74	(74)						–
Total operating expenses	132,655	20,031	(2,092)		14,276				164,870
Operating income	11,317	15,319	–		(14,276)				12,360
Other (expense) income, net:									
Interest Income	304	–							304
Interest Expense	(3,592)	(386)					(17,253)	**5A**	(21,231)
Other (expense) income, net:	(566)	16							(550)
Total other (expenses) income, net	(3,854)	(370)					(17,253)		(21,477)
Income before income taxes	7,463	14,949			(14,276)		(17,253)		(9,117)
Income tax expense (benefit)	(948)	–			(2,984)	**4C**			(3,932)
Net income (loss)	**$ 8,411**	**$ 14,949**			**$ (11,292)**		**$ (17,253)**		**$ (5,185)**
Net income (loss) per common share:									
Basic and diluted									**$ (0.18)**
Weighted average common shares:									
Basic and diluted									**28,849**

See the accompanying notes to the unaudited pro forma condensed combined financial information.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

(All figures reported in thousands except for per share data, unless indicated otherwise)

Note 1. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial information and related explanatory notes ("pro forma information") were prepared in accordance with Article 11 of Regulation S-X, *Pro Forma Financial Information*, as amended by the final rule, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*, as adopted by the SEC on May 21, 2020. The pro forma condensed combined financial information has been compiled from historical consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP).

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effects of the Acquisition involving Digi and Ventus under the acquisition method of accounting with Digi treated as the acquirer. The unaudited pro forma condensed combined financial information is presented for illustrative purposes only and does not necessarily indicate the financial results of the combined company had the companies actually been combined at the beginning of each period presented, nor does it necessarily indicate the results of operations in future periods or the future financial position of the combined company. Under the acquisition method of accounting, the assets and liabilities of Ventus will be recorded by Digi at their respective fair values, and the excess of the purchase consideration over the fair value of Ventus' net assets will be allocated to goodwill.

The pro forma allocation of the purchase consideration reflected in the unaudited pro forma condensed combined financial information is subject to adjustment and may vary from the actual purchase consideration allocation that will be recorded upon completion of purchase accounting. Adjustments may include, but are not be limited to, changes in (i) Ventus' balance sheet through the effective date of the acquisition including finalization of the working capital settlement calculation; (ii) adjustments in leases to align with Digi under ASC Topic 842, "Leases" ("ASC 842"); (iii) total acquisition related expenses if consummation and/or implementation costs vary from currently estimated amounts; (iv) finalization of management's review of the underlying assumptions utilized in determining the fair values of intangible assets acquired as part of the Acquisition; and (v) the underlying values of assets and liabilities if market conditions differ from current assumptions.

The accounting policies of both Digi and Ventus are being reviewed in detail. Upon completion of such review, additional conforming adjustments or financial statement reclassification may be necessary.

Acquisition-related transaction costs, such as investment banker, advisory, legal, valuation, and other professional fees are not included as a component of consideration transferred but are expensed as incurred.

Note 2. Pro Forma Reclassification and Elimination Adjustments

Certain reclassifications have been made to the historical presentation of the statement of operations and balance sheet of Ventus to conform to the financial statement presentation of Digi.

Historical Ventus depreciation was preliminarily split between Cost of sales and General and administrative expenses based on the expected use of the acquired property and equipment.

As the Company is still finalizing the purchase price allocation, all amortization expense was included in General and administrative expenses and none was recorded to Cost of sales. The Company expects some amortization expense to be attributed to Cost of sales but has not yet finalized the split between Cost of sales and General and administrative expenses. The amount of amortization expense allocated to Cost of sales is not expected to be material

There was no pre-existing business relationship between Ventus and Digi, hence it was not necessary for any transactions to be settled immediately prior to the consummation of the Acquisition for these unaudited pro forma financial condensed combined financial statements.

The reclassifications were made solely for the purpose of these unaudited pro forma condensed combined financial statements. Actual future amounts may differ materially from amounts disclosed.

Note 3. Estimated Purchase Consideration, Allocation and Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet

The estimated purchase consideration, related estimated allocations, and resulting excess over fair value of net assets acquired are as follows:

Purchase Consideration (in 000s)		
Base Purchase Price	$	347,600
Estimated Cash		7,377
Payment of Indebtedness		(5,294)
Estimated Working Capital Overage		(1,698)
Consideration Transferred	**$**	**347,985**

Preliminary allocation of purchase price (in 000s)		
Identifiable intangible assets	$	211,000
Goodwill		110,744
Assets acquired*		31,978
Liabilities assumed*		(5,737)
Consideration transferred	**$**	**347,985**

* Individual assets and liabilities acquired have been condensed for the purposes of this illustration

A. Total estimated purchase consideration and allocation of purchase price

The total estimated purchase consideration for all ownership interests in Ventus of $348.0 million is comprised of cash consideration paid to the seller of $338.4 million and $9.6 million of cash consideration paid to other third parties. The purchase consideration of $348.0 million was determined by adjusting the base purchase price of $347.6 million for the estimated working capital overages of $1.7 million, payment of seller indebtedness of $5.3 million and estimated acquired cash of $7.4 million. The amounts used to calculate the pro forma estimated purchase consideration were derived from Ventus' June 30, 2021 historical balance sheet and components of the actual purchase price will differ based on actual Ventus balance sheet amounts at the closing date on November 1, 2021.

The purchase price allocation shown in the table above is based on the Digi's estimates of the fair value of certain Ventus assets and liabilities as of June 30, 2021. The allocation of the purchase price may differ materially from the estimates.

B. Cash

The pro forma adjustments to cash represent the proceeds from the second and third amended and restated credit agreements, payment of the cash purchase price of Ventus to the seller, payment of debt financing costs associated with the second and third amended and restated credit agreements, and payment of buyer transaction costs related to the acquisition.

The adjustment to cash in the unaudited pro forma condensed combined balance sheet as of June 30, 2021 included the following:

Proceeds from issuance of new credit facilities	$	350,000
Purchase consideration paid to seller		(338,431)
Retirement of Digi's historical debt		(48,118)
Payment of debt financing fees for second and third amended and restated credit agreements		(13,443)
Payment of unrecognized Buyer's transaction costs		(3,079)
Payment of Seller transaction expenses		(9,554)
Net pro forma adjustment to cash	**$**	**(62,625)**

C. Identifiable Intangible assets

The estimated fair values of identifiable intangible assets were prepared using an income valuation approach, which requires a forecast of expected future cash flows either through the use of the relief-from-royalty method or the multi-period excess earnings method. The identified intangible assets include customer relationships, developed technology and tradenames. The estimated useful lives are based on the historical experience of Digi, available similar industry data and assumptions made by Digi management. These estimated fair values are subject to change upon completion of the purchase price allocation.

An adjustment was made to record the estimated fair value of acquired intangibles assets of $211.0 million. The weighted average estimated useful lives of the acquired intangible assets is 19.2 years.

Customer relationship	$	179,000
Technology		16,000
Trade name		16,000
Identified intangible assets	**$**	**211,000**

D. Other non-current assets

In Ventus historical balance sheet, Ventus capitalized costs incurred during the application and development phase of internally developed software. As Digi does not intend to utilize this software, it was not assigned a value in the preliminary purchase price allocation. Therefore, an adjustment of $1.7 million was made to the unaudited pro forma condensed combined balance sheet to eliminate the asset and exclude it from the preliminary purchase price allocation.

E. Right of use assets and lease liabilities

The Company adopted ASC Topic 842, "Leases" ("ASC 842") as of October 1, 2019, and therefore, Ventus adopted ASC 842 at the date of acquisition. In order to conform accounting policies, the Company included an adjustment to record a right-of-use asset of $1.1 million and corresponding lease liability of $1.1 million to the unaudited pro forma condensed combined balance sheet. The right-of-use asset and lease liability are equal to the present value of remaining lease payments at the date of acquisition. Digi applied a discount rate of 3.47%, which is consistent with the discount rate used for leases with similar characteristics within Digi's lease portfolio.

Of the $1.1 million lease liability, $0.4 million was classified as current and $0.7 million was classified as noncurrent as of June 30, 2021.

F. Goodwill

An adjustment of $110.7 million was made to record goodwill associated with the purchase of Ventus. The adjustment is equal the excess of the estimated purchase consideration over the estimated fair value of net assets acquired.

G. Payroll Protection Plan loan

An adjustment of $1.8 million was made to the current portion of long-term debt for forgiveness of a Payroll Protection Plan ("PPP") loan that Ventus had from the Small Business Association ("SBA") prior to the Acquisition, but subsequent to the pro forma period. The PPP loan was not included in the preliminary allocation of the purchase price

H. Stockholder's equity

As part of the accounting for the business combination, an adjustment was made to eliminate the historical member's equity included in the historical Ventus' financial statements.

As discussed at Note 4, an adjustment was made to recognize buyer transaction costs incurred outside of the pro forma period. To reflect the additional costs in the unaudited pro forma condensed combined balance sheet, an adjustment was made to reflect such costs in retained earnings.

As discussed at Note 5, an adjustment to retained earnings was made to partially write off debt issuance costs associated with Digi's historical credit facilities.

An adjustment was made to retained earnings for forgiveness of a PPP loan that Ventus had from the SBA prior to the Acquisition. The PPP loan was not included in the preliminary allocation of the purchase price

The adjustment to stockholder's equity in the unaudited pro forma condensed combined balance sheet as of June 30, 2021 included the following:

Elimination of historical Ventus member's equity	$	(22,617)
Adjustment to general administrative expenses for unrecognized buyer transaction costs		(3,079)
Partial write off of Digi unamortized issuance costs for historical credit facilities		(2,020)
Forgiveness of Ventus PPP loan		1,844
Net pro forma adjustment to retained earnings	**$**	**(25,872)**

Note 4. Pro Forma Transaction Adjustments to the Pro Forma Condensed Combined Statements of Operations

The unaudited pro forma condensed combined financial information has been prepared using Ventus' unaudited historical financial statements and related disclosures, as well as certain assumptions made by Digi. Estimates of the fair value of assets acquired and liabilities assumed are described in Note 3.

A. Intangible assets

Total adjustments related to amortization expense of intangible assets are as follows:

	Year ended September 30, 2020		**Nine-months ended June 30, 2021**	
Estimated amortization on acquired intangible assets	$	11,417	$	8,563
Removal of historical capitalized software amortization		(220)		(443)
Net pro forma adjustment to general and administrative expenses	**$**	**11,197**	**$**	**8,120**

The amortization expense related to acquired intangible assets is based on the estimated fair value amortized over the estimated useful life. The fair values were prepared solely for the purposes of preparing this unaudited pro forma condensed combined financial information and are subject to change upon completion of the transaction and preparation of the final valuation. Changes in fair value of the acquired intangible assets may be material.

As discussed at Note 3, Digi historically capitalized costs incurred during the application and development phase of internally developed software. As Digi does not intend to utilize this software, it was assigned no value in the preliminary allocation of the purchase price. Therefore, the amortization reported in the Ventus historical income statements related to this asset was reversed.

As the Company is still finalizing the purchase price allocation, all amortization expense was included in General and administrative expenses and none was recorded to Cost of sales. The Company expects some amortization expense to be attributed to Cost of sales but has not yet finalized the split between Cost of sales and General and administrative expenses.

B. Unrecognized Transaction costs

An adjustment of $3.1 million was made to general and administrative expenses related to unrecognized buyer transaction costs incurred for acquisition, but not yet recognized in the historical financial statements

C. Income taxes

When considering the unaudited pro forma condensed combined financial statements, the Company estimates that, prospectively, the combined company would have an effective tax rate that differs from Digi's historical tax rate. As such, for the purposes of assessing the tax impact on unaudited pro forma condensed combined financial statements, an estimated tax rate of 18.0% was applied. The actual effective tax rate of the combined company may differ significantly from the rate utilized depending on post-acquisition activities, such as the geographical mix of taxable income affecting state and foreign taxes, among other factors.

Historically, Ventus has operated as a pass-through entity for tax purposes. As such, the historical Ventus financial statements have no provision for income taxes. Therefore, an adjustment was made to tax effect Ventus historical earnings.

Total adjustments related to income tax expense are as follows:

	Year ended September 30, 2020	Nine-months ended June 30, 2021
Tax expense (benefit) from pro forma adjustments	$ (5,675)	$ (4,111)
Pro forma adjustment to tax effect Ventus historical earnings	2,691	2,358
Net pro forma adjustment to income tax expense (benefit)	**$ (2,984)**	**$ (1,753)**

Note 5. Pro Forma Other Transaction Adjustments

In accordance with Regulation S-X Article 11, *Pro Forma Financial Information*, as amended by the final rule, *Amendments to Financial Disclosures About Acquired and Disposed Businesses*, as adopted by the SEC on May 21, 2020, Digi has also adjusted the unaudited pro forma condensed combined financial information for certain material transactions that are probable to occur in connection with the acquisition.

A. Financing

In connection with the Ventus acquisition, Digi modified it existing credit agreement with its lenders. The modified credit agreement included total commitments of $385 million, which were used to repay Digi's existing credit facility and to provide financing for the acquisition. The new credit facility includes a $350 million term loan and a $35 million revolving credit facility. The revolving credit facility is inclusive of a $10 million letter of credit subfacility and $10 million swingline subfacility. At the time of the acquisition, Digi had not drawn on the revolving credit facility. Digi will capitalize debt issuance costs associated with the new financing.

The unaudited pro forma condensed combined balance sheet reflects the issuance of debt to finance the Ventus acquisition, repay the borrowings on the existing Digi revolving credit facility, partially write off debt issuance costs associated with the historical Digi credit facility and capitalize debt issuance costs associated with the new facility.

As part of the business combination, Digi settled Ventus' existing debt obligations at the time of closing. Therefore, an adjustment was made to eliminate historical Ventus debt obligations from the unaudited pro forma condensed combined balance sheet as of June 30, 2021.

The adjustments to record the financing transactions in the unaudited pro forma condensed combined balance sheet as of June 30, 2021 included the following:

Increase from issuance of Digi's new credit facilities	$ 350,000
Capitalization of debt issuance costs related to Digi's new credit facilities	(13,443)
Repayment of Digi's historical revolving credit facility	(48,118)
Partial write off of Digi unamortized debt issuance costs associated with the historical credit facility	2,020
Repayment of Ventus' existing term loan	(5,294)
Net pro forma adjustment to debt	**$ 285,165**

The classification of the pro forma adjustments to debt were as follows;

Current portion of long-term debt	$ 44,795
Long-term debt	240,370
Total outstanding pro forma debt	**$ 285,165**

The adjustments to record pro forma interest expense for the unaudited pro forma condensed combined statements of operations were based on (i) actual interest expense incurred by Digi and Ventus during the year ended September 30, 2020 and December 31, 2020, respectively, and the nine-month period ended June 30, 2021 (ii) estimated interest expense associated with the new borrowings to fund the acquisition of Ventus (iii) amortization of debt financing costs incurred in relation to the new credit facilities.

Borrowings under the term loan facility bear interest at a rate per annum equal to LIBOR with a floor of 0.50% for an interest period of one, three or six months as selected by Digi, reset at the end of the selected interest period (or a replacement benchmark rate if LIBOR is no longer available) plus 5.0% or a base rate plus 4.0%. The base rate is determined by reference to the highest of (1) BMO's prime rate, (2) the Federal Funds Effective Rate plus 0.5%, or (3) one-month LIBOR for U.S.

dollars plus 1.00%. The applicable margin for loans under the revolving credit facility is in a range of 4.00-3.75% for LIBOR loans and 3.00 to 2.75% for base rate loans, depending on Digi's consolidated leverage ratio. The consolidated leverage ratio is defined as the ratio of Digi's consolidated total funded indebtedness minus unrestricted cash as of such date to consolidated earnings before interest, taxes, depreciation and amortization for such period.

For the purposes of this these pro forma condensed combined financial statements, the Company utilized the 0.5% floor plus 5.0% for an applied interest rate of 5.5%. There were no borrowings against the new revolving credit facility at the time of acquisition. Therefore, no interest expense was recognized on the new revolving credit facility.

The adjustments to record the anticipated financing transactions in the unaudited pro forma condensed combined statement of operations for the year ended September 30, 2020 and nine-months ended June 30, 2021 included the following:

	Year ended September 30, 2020	Nine-months ended June 30, 2021
Interest expense pursuant to Digi's new term loan	$ 19,250	$ 14,438
Amortization of debt issuances costs related to new credit facilities	1,920	1,440
Elimination of Digi's historical interest expense and debt financing cost amortization	(3,592)	(1,019)
Recalculated Digi historical debt issuance cost amortization	61	46
Elimination of Ventus' historical interest expense	(386)	(188)
Net pro forma adjustment to interest expense	**$ 17,253**	**$ 14,717**

The interest rates in effect at the time of preparation were assumed to be in effect for the entirety of the respective unaudited pro forma condensed combined statement of operations periods. The interest expense that Digi will ultimately pay may vary from what is assumed in the pro forma statements and will be based on among other things, the actual future funding needs, movements in market interest rates including LIBOR, and the contractual terms of the Credit Agreement.