UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported): November 19, 2021

ICHOR HOLDINGS, LTD.
(Exact name of registrant as specified in its charter)

Cayman Islands	001-37961	Not Applicable
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

3185 Laurelview Ct.
Fremont, California 94538
(Address of principal executive offices, including Zip Code)

(510) 897-5200
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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(s)	Name of each exchange on which registered
Ordinary Shares, par value $0.0001	ICHR	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

This Current Report on Form 8-K/A (the "Amendment") amends the Current Report on Form 8-K filed by Ichor Holdings, Ltd. (the "Company") with the Securities and Exchange Commission (the "Commission") on November 26, 2021 (the "Initial Form 8-K") regarding the acquisition by Ichor Systems, Inc., a wholly-owned subsidiary of the Company, of IMG Companies, LLC ("IMG"). This Amendment amends the Initial Form 8-K to file the financial statements of the business acquired under Item 9.01(a) and pro forma financial information under Item 9.01(b), which are filed as exhibits hereto. This Amendment should be read in conjunction with the Initial Form 8-K and the Company's other filings with the Commission. Except as provided herein, all information in the Initial Form 8-K remains unchanged.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of the business acquired.

The audited consolidated financial statements of IMG for the year ended December 31, 2020 and the unaudited consolidated financial statements of IMG for the nine months ended September 30, 2021, and in each case the notes thereto, are filed as Exhibit 99.1 and Exhibit 99.2, respectively.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of the Company for the year ended December 25, 2020 and the nine months ended September 24, 2021, and in each case the notes thereto, are filed as Exhibit 99.3.

Exhibit Number	Description
23.1	Consent of Marcum LLP, independent public accounting firm of IMG Companies, LLC
99.1	Audited consolidated financial statements of IMG Companies, LLC for the year ended December 31, 2020
99.2	Unaudited consolidated financial statements of IMG Companies, LLC for the nine months ended September 30, 2021
99.3	Unaudited pro forma condensed combined financial information of Ichor Holdings, Ltd. for the year ended December 25, 2020 and the nine months ended September 24, 2021
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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 thereunto duly authorized.

ICHOR HOLDINGS, LTD.

Date: February 7, 2022

/s/ Larry J. Sparks
Name: Larry J. Sparks
Title: Chief Financial Officer

Exhibit 23.1

INDEPENDENT AUDITOR’S CONSENT

We consent to the incorporation by reference in the Registration Statement (No. 333-219846) on Form S-8 and the Registration Statement (No. 333-240294) on Form S-3 of Ichor Holdings, Ltd. of our report dated April 13, 2021 relating to the consolidated financial statements of IMG Companies, LLC and Subsidiary as of December 31, 2020 and for the year ended December 31, 2020, appearing in this Current Report on Form 8-K/A.

/s/ Marcum LLP

Marcum LLP
West Palm Beach, FL
February 7, 2022

IMG COMPANIES, LLC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

IMG COMPANIES, LLC AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Managing Board and Members of
IMG Companies, LLC and Subsidiaries

Report on the Financial Statements

We have audited the accompanying financial statements of IMG Companies, LLC and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of income, members' capital and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of IMG Companies, LLC and Subsidiaries as of December 31, 2020, and the consolidated results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/S/ Marcum LLP

West Palm Beach, FL
April 13, 2021

IMG COMPANIES, LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2020

Assets		
Current Assets		
Cash and cash equivalents	$	2,914,499
Accounts receivable, net		10,903,809
Inventories		4,594,811
Prepaid expenses and other current assets		463,910
Total Current Assets		18,877,029
Property and Equipment, Net		21,959,370
Goodwill		39,033,389
Other Assets		96,752
Total Assets	$	79,966,540
Liabilities and Members' Capital		
Current Liabilities		
Accounts payable	$	1,601,015
Accrued liabilities		2,007,790
Earn-out Agreement		2,058,885
Current portion of due to seller		1,323,598
Current portion of long-term debt		5,355,877
Total Current Liabilities		12,347,165
Long-term debt, Net of Unamortized Deferred Financing Fees		34,397,325
Due to Seller, Net of Current Portion		1,000,000
Deferred Rent		279,211
Total Liabilities		48,023,701
Commitments and Contingencies		
Members' Capital		31,942,839
Total Liabilities and Members' Capital	$	79,966,540

IMG COMPANIES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

Net Sales	$	48,405,533
Cost of Sales, Excluding Depreciation		28,510,034
Depreciation		3,654,584
Total Cost of Sales		32,164,618
Gross Margin		16,240,915
Selling, General and Administrative Expenses		7,728,851
Depreciation and Amortization		408,866
Professional Fees		
Acquisition Costs		521,842
Management and Consulting Fees		300,000
Legal, accounting and Other		263,877
Total Professional Fees		1,085,719
Operating Income		7,017,479
Other Income (Expense)		
Interest expense		(3,003,342)
Change in fair value of earn-out agreement		941,115
Other income, net		601
Total Other Expense		(2,061,626)
Net Income	$	4,955,853

IMG COMPANIES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2020

	Preferred Units	Common Units	Amount
Balance - December 31, 2019	47,587	3,200	$ 26,986,986
Issuance of common units	—	400	—
Net income	—	—	4,955,853
Balance - December 31, 2020	47,587	3,600	$ 31,942,839

IMG COMPANIES, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities		
Net income	$	4,955,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Interest expense paid in-kind		202,835
Depreciation and amortization		4,063,450
Acquisition costs		521,842
Amortization of deferred financing fees		122,953
Change in fair value of earn-out agreement liability		(941,115)
Deferred lease liability		(131,492)
Changes in operating assets and liabilities, net of acquisitions:		
Incrase in		
Accounts receivable		(3,462,232)
Inventories		(78,306)
Prepaid expenses and other assets		(190,927)
Incrase In:		
Accounts payable and accrued liabilities		742,756
Total Adjustments		849,764
Net Cash Provided By Operating Activities		5,805,617
Cash Flows from Investing Activities		
Net cash paid in acquisition of Larkin Precision Machining, Inc.		(2,212,842)
Acquisition of property and equipment		(1,196,377)
Net Cash Used In Investing Activities		(3,409,219)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt		2,458,400
Principal payments on long-term debt		(3,297,673)
Net Cash Used In Financing Activities		(839,273)
Net Increase in Cash		1,557,125
Cash - Beginning		1,357,374
Cash - Ending	$	2,914,499
Supplemental Disclosures of Cash Flow Information		
Interest paid	$	2,436,146
Taxes paid	$	—

Note 1 - Organization and Business

The accompanying consolidated financial statements include the accounts of IMG Companies, LLC ("the Company"), a Delaware limited liability company formed on April 29, 2016, and its wholly owned subsidiaries IMG, LLC, Applied Fusion, LLC and IMG Altair, LLC. IMG, LLC was formed as a Delaware limited liability company on April 29, 2016. The Company began conducting operations on June 13, 2016 with the acquisition of the assets and assumption of liabilities of Integrated Manufacturing Group, LLC, and is engaged in the manufacture of highly engineered components for the semiconductor, aerospace and energy industries. Applied Fusion, LLC was formed as a Delaware limited liability company on October 13, 2017 and began conducting operations on May 23, 2018 with the acquisition of certain assets and assumption of liabilities of Applied Fusion, Inc. IMG Altair, LLC was formed as a Delaware limited liability company on September 10, 2019 and began conducting operations on December 20, 2019 with the acquisition of the assets and assumption of liabilities of Altair Technologies, Inc. IMG Larkin, LLC was formed as a Delaware limited liability company on July 2, 2020 and began conducting operations on October 2, 2020 with the acquisition of certain assets and assumption of liabilities of Larkin Precision Machining, Inc. (See Note 4).

Member units are represented by two classes of securities (i) the Common Units and (ii) the Preferred Units. The Company has 47,587 Preferred Units issued and outstanding as of December 31, 2020. Common Units are awarded as compensation, vest pro-rata over a four year period and any unvested Common Units are forfeited upon termination of employment of the holder, and the Company has 3,600 Common Units outstanding as of December 31, 2020. Preferred units have a preferred return rate of 8% per annum (unpaid preferred return of approximately $2,651,000 as of December 31, 2020) and available cash is distributable to holders of Preferred and Common Units, as defined in the Amended and Restated Limited Liability Company Agreements dated December 20, 2019, with preference to the holders of Preferred Units.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Fair Value of Financial Measurements

Pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements,* the Company defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1
Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2
Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3
Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company's earn-out agreement liabilities are recorded at fair value on a recurring basis and is classified as Level 3 within the fair value hierarchy. The Company did not have any financial assets or liabilities that were measured using Level 1 or Level 2 inputs. Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances. These assets include long-lived assets that are written down to fair value when they are impaired.

The Common Units granted to a member of management are required to be recorded at fair value on a nonrecurring basis, and are classified as Level 3 within the fair value hierarchy (see Note 16).

Cash Equivalents

The Company considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of December 31, 2020.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Management considers factors such as current overall economic conditions and historical and anticipated customer performance, when determining if an allowance for uncollectable accounts is necessary. Accounts receivable are generally considered to be uncollectible when they are past due, the Company has attempted collection activities and has determined that collection is improbable. The Company does not maintain an allowance for uncollectible accounts receivable at December 31, 2020, as all accounts are deemed to be fully collectible.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost determined on the weighted-average method, and include freight in, duty and handling costs. Inventories consist principally of raw materials, finished goods and work-in-process. The Company performs periodic assessments to determine the existence of obsolete, slow-moving and non-salable inventories, and records necessary provisions to reduce such inventories to net realizable value.

Property and Equipment

Property and equipment are stated at cost, net of depreciation. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the lease term or their estimated useful lives. When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized in the accompanying statement of income. Repairs and maintenance are charged to expense as incurred.

Impairment of Long-Lived Assets

In accordance with FASB ASC 360, *Property, Plant and Equipment*, the carrying value of long-lived assets, is reviewed whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by determining if the carrying value of the asset exceeds the sum of the projected undiscounted cash flows expected to result from the use and eventual disposition of the asset over the remaining economic life of the asset. If recoverability is not assured, impairment is determined based on comparing the carrying value of the asset and the estimated fair value of the asset. Management does not believe that long-lived assets as reported on the balance sheet were impaired as of December 31, 2020.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired. In accordance with FASB ASC 350, *Intangibles – Goodwill and Other*, goodwill and intangible assets with indefinite useful lives are not amortized, but are instead tested for impairment at least annually or as circumstances indicate their value may no longer be recoverable. The impairment test for goodwill uses a two-step approach, which is performed at the reporting unit level. The first step compares the fair value of the reporting unit to its carrying value. If the carrying value exceeds the fair value, there is a potential impairment and step two must be performed. The second step compares the carrying value of the reporting units' goodwill to its implied fair value (i.e., fair value of the reporting unit less the fair value of the units' assets and liabilities, including identifiable intangible assets).

Pursuant to authoritative accounting guidance, the Company has an option to elect to first assess qualitative factors to determine whether it is more likely than not that the fair values of its reporting units are less than the carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. If the Company determines that it is more likely than not that its fair value is not less than its carrying amount, then the two-step goodwill impairment test is not required to be performed. The Company elected the qualitative approach and assessed factors such as economic conditions, industry and market environment, overall financial performance and various other entity specific events. Based on this assessment the Company determined that it is more likely than not that the fair value of its reporting units are not less that the carrying value. As a result of this evaluation, the Company determined that a two-step goodwill impairment test was not required at December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates in the preparation of the financial statements principally include assessing the collectability of accounts receivables, valuation of inventory, determining the useful lives and potential impairment of long-lived assets and potential impairment of goodwill. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

Revenue Recognition

The Company adopted FASB ASU No. 2014-09 (ASC 606) - Revenue from Contracts with Customers in January 2019 which provides guidance for revenue recognition that superseded the revenue recognition requirements in ASC 605, Revenue Recognition and most industry specific guidance.

The Company recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

Identify the contract with a customer. The Company generally considers documentation of terms with an approved purchase order as a customer contract provided that collection is considered probable, which is assessed based on the creditworthiness of the customer as determined by credit checks, payment histories, and/or other circumstances.

Identify the performance obligations in the contract. Performance obligations include sales of systems, spare parts, and services.

Determine the transaction price. The transaction price for the Company's contracts with its customers consists of both fixed and variable consideration provided it is probable that a significant reversal of revenue will not occur when the uncertainty related to variable consideration is resolved. Fixed consideration includes amounts to be contractually billed to the customer while variable consideration includes estimates for discounts and credits for future usage which are based on contractual terms and other factors known at the time. The Company generally invoices customers at shipment and for professional services either as provided or upon meeting certain milestones. Customer invoices are generally due within 30 to 90 days after issuance. The Company's contracts with customers typically do not include significant financing components as the period between the transfer of performance obligations and timing of payment are generally within one year.

Allocate the transaction price to the performance obligations in the contract. For contracts that contain multiple performance obligations, the Company allocates the transaction price to the performance obligations on a relative standalone selling price basis. Standalone selling prices are based on multiple factors including, but not limited to historical discounting trends for products and services and pricing practices in different geographies.

Recognize revenue when or as the Company satisfies a performance obligation. Revenue from the manufacture and sale of non-alternative use goods and services for which there is an enforceable right to payment, including a reasonable profit margin, are recognized over time based on an input method. Revenue from environmental lab services is recognized over time as services are completed or ratably over the contractual period of generally one year or less. Revenue from all other manufacture and sale of goods and services are recognized at a point in time, which is generally upon shipment or delivery.

Disaggregated revenue for the year ended December 31, 2020 was as follows:

Revenue:		
Recognized over time	$	37,688,008
Recognized at a point in time		10,717,525
Total Revenue:	$	48,405,533

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash and accounts receivable.

Cash
The Company maintains its cash with financial institutions which balances from time to time may exceed the federally insured limits. At December 31, 2020, the Company had deposits in excess of federally insured limits. The Company maintains its cash with high quality financial institutions, which the Company believes limits these risks.

Accounts Receivable
The Company extends credit to its customers based on an evaluation of each customer's financial condition, generally without requiring collateral. Exposure to credit losses is evaluated continuously by Company management. There is no allowance for doubtful accounts at December 31, 2020.

Income Taxes

The Company has elected to be treated as a partnership under the Internal Revenue Code. In lieu of corporate federal income taxes, each member is responsible for the tax liability, if any, related to their proportionate share of the Company's taxable income. Accordingly, no provision for federal income taxes is reflected in the accompanying financial statements; however, the Company will continue to provide for appropriate state income taxes. The Company has concluded that it is a pass-through entity and there are no uncertain tax positions that would require recognition in the financial statements. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes in the accompanying statement of income.

The Company's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

Generally, federal, state and local authorities may examine the Companies' tax returns for three years from the date of filing.

On November 2, 2015, the Bipartisan Budget Act ("the Act") of 2015 was signed into law. Among other things, the Act made significant changes to the rules for partnership audits and adjustments for taxable years beginning after January 1, 2018. Under these new rules, the partnership is liable for the tax, interest and penalties resulting from adjustments in the event of an IRS examination.

Deferred Financing Costs

Deferred financing costs are presented as a reduction of the carrying amount of the debt rather than as an asset pursuant to ASU 2015-03, *Interest – Imputation of Interest*. Deferred financing fees consist of fees incurred in obtaining long-term debt and are being amortized on a straight-line basis over the loan term. Amortization expense was approximately $123,000 for the year ended December 31, 2020, and is reported as interest expense in the accompanying statement of income. Future amortization is expected to be approximately $101,000 for each of the years ended December 31, 2021 through 2024 and $76,000 for the year ended December 31, 2025.

Note 3 – Inventories

Raw materials	$	1,836,871
Work in process		1,742,201
Finished goods		1,015,739
Total Inventories	$	4,594,811

Note 4 – Acquisition

On October 20, 2020, the Company through its wholly owned subsidiary IMG Larkin, LLC, purchased the assets and assumed certain liabilities of Larkin Precision Machining, Inc. for an initial acquisition price of approximately $12,713,000 including transaction costs and deferred financing fees totaling approximately $713,000. The acquisition purchase price was funded with a cash payment of approximately $2,213,000, loans totaling $9,500,000 and a Due to Seller of $1,000,000. The acquisition price allocation, recorded at fair value in accordance with ASC Topic 805, *Business Combinations*, was as follows:

Assets Acquired		
Accounts receivable	$	1,625,055
Inventories		174,944
Prepaid expenses and other current assets		50,270
Property and equipment		1,918,991
Other assets		9,798
Total Assets Acquired		3,779,058
Liabilities Assumed		
Accounts payable		118,899
Accrued expenses		49,279
Customer deposits		56,130
Total Liabilities Assumed		224,308
Excess of Consideration Exchanged over Fair Values of Net Assets Received (Goodwill)		8,445,250
Consideration Exchanged	$	12,000,000

The fair value of the acquired property and equipment is based primarily on third party appraisal of the equipment. The accompanying statement of income includes the results of operations from the date of the acquisition through December 31, 2020.

Note 5 - Property and Equipment

	Amount	Estimated Useful Lives
Machinery and equipment	$ 28,104,168	5 - 10 Years
Leasehold improvements	4,204,312	10 Years
Computer equipment and software	549,314	3 Years
Furniture and fixtures	57,280	3 - 7 Years
Vehicles	99,479	3 Years
	33,014,553	
Less accumulated depreciation	11,055,183	
Property and Equipment, Net	$ 21,959,370	

Note 6 – Goodwill

Balance - December 31, 2019	$ 30,701,210
Acquisition of Larkin Precision Machining Inc.	8,445,250
Aqquisition of Altair Technologies Inc. price adjustment	(113,071)
Balance - December 31, 2020	$ 39,033,389

Note 7 – Earn-out Agreement Liability

In connection with the acquisition of Altair Technologies, Inc. during the year ended December 31, 2019, the Company entered into an earn-out agreement with the seller of the acquired company. The earn-out agreement provides for additional acquisition price to be paid to the seller by the Company in 2021, based on Altair Technologies, Inc. achieving certain financial performance measures for the year ending 2020, as defined in the earn-out agreement.

In accordance with the fair value measurements guidance, the valuation of the earn-out agreement liability was based on an internal valuation model that relied upon forward looking projections that considered all known information at the time, the most significant assumption being the adjusted EBITDA, as defined. Accordingly, an adjustment to record the earn-out liability at fair value as of December 31, 2020 of approximately $941,000 was made and reported in other income on the consolidated statement of income for the year ended December 31, 2020. The balance of the earn-out agreement liability as of December 31, 2020 is $2,058,897 and is classified as a current liability in the accompanying consolidated balance sheet.

The following table represents a reconciliation of the fair value of the Company's earn-out agreement liability for the year ended December 31, 2020:

Balance - December 31, 2019	$ 3,000,000
Change in Fair Value	(941,115)
Balance - December 31, 2020	$ 2,058,885

Note 8 – Line of Credit

The Company maintains a revolving line of credit agreement with a financial institution with maximum available funding of $5,000,000, subject to a borrowing base, as defined by the agreement. The revolving line bears interest at the LIBOR rate plus 2.75% (3.25% at December 31, 2020). The line is collateralized by substantially all assets of the Company and is guaranteed by the Company's subsidiary. The line is cross-defaulted with other loan agreements with the same financial institution (see Note 9), requires the maintenance of certain lockbox accounts, requires the maintenance of certain fixed charge coverage and leverage ratios, as defined, contains limitations on capital expenditures and expires on September 30, 2025, the maturity date. Certain ratio requirements have been waived by the financial institution for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020. There was no outstanding balance on the revolving line of credit as of December 31, 2020.	$ —

Note 9 - Long-Term Debt

NOTES PAYABLE	
$24,148,115 note payable with the same financial institution as the line of credit, requires $287,478 monthly payments plus interest at the LIBOR rate plus 4% per annum (4.5% as December 31, 2020) and matures in September 30, 2025. The note is collateralized by substantially all assets of Company and is guaranteed by the Company's subsidiary. The note also requires the maintenance of certain fixed charge coverage and leverage ratios, as defined, and contains limitations on capital expenditures. Certain ratio requirements have been waived by the financial institution for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020. The note payable is cross-defaulted with other loan agreements with the same financial institution (See Note 8).	$ 23,573,160
Total Notes Payable	23,573,160
SUBORDINATED DEBT	
$5,417,000 term loan with a member. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. Certain ratio requirements have been waived by the member for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020.	5,518,083
$3,575,000 term loan with a member. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. Certain ratio requirements have been waived by the member for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020.	3,641,936
$1,842,000 term loan with a member. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. Certain ratio requirements have been waived by the member for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020.	1,876,149

$1,166,667 term loan with a member entered into October 2020. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. The Company was in compliance for all of 2020.		1,166,667
$2,000,000 Subordinated Seller note payable. The loan bears interest at 6% per annum with quarterly interest only payments commencing January 2021, with all unpaid principal and accrued interest due in September.		2,000,000
On April 9, 2020, the Company entered into a Paycheck Protection Program ("PPP or the Program") promissory note for total proceeds of $2,458,400, with a financial institution in relation to the enacted CARES Act administered by the U.S. Small Business Administration ("the "PPP note"). In accordance with the requirements of the CARES Act, the Company will use the proceeds of the notes primarily for payroll and other allowable costs. Interest on the note accrues at 1.00% per annum. No payments of principal or interest were due until October 2020, at which point payments in the amount of $108,049 principal and accrued interest are to be payable monthly until the April 2022 maturity date. Under the Program, these funds are eligible to be forgiven by the SBA, if certain conditions are met. As of December 31, 2020, due to uncertainty regarding the Company's eligibility for loan forgiveness, the PPP note has been recorded as a liability until officially forgiven.		2,458,400
Total Subordinated Debt		16,661,235
Total Notes Payable and Subordinated Debt		40,234,395
Less Current Portion		5,355,877
Total Notes Payable, Net of Current Portion		34,878,518
Less: Unamortized Deferred Financing Costs		481,193
Total Long-Term Debt	$	34,397,325

Approximate annual maturities of long-term debt scheduled for payment for the five years after December 31, 2020 are as follows:

For the Year Ending December 31,		Amount
2021	$	5,355,877
2022		4,001,985
2023		3,449,731
2024		3,449,731
2025		23,977,071
Total	$	40,234,395

Interest expense on long-term debt for the year ended December 31, 2020 totaled approximately $2,880,000, including approximately $123,000 in amortization related to debt issuance costs.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company leases its operating facilities under a non-cancelable operating lease expiring in May 2028, including certain facilities from a member. The operating facilities lease allows the Company to extend the lease for an additional five year term under substantially the same terms. The Company recognizes rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are recorded as deferred rent. Deferred rent as of December 31, 2020 was approximately $207,000.

The affiliated entity, owned by a member, from which the Company leases from is a variable interest entity for which the Company is considered the primary beneficiary in accordance with accounting principles generally accepted in the United States. The Company has elected to apply *Accounting Standards Update No. 2014-07, Consolidation (Topic 810); Applying Variable Interest Guidance to Common Control Leasing Arrangements*, and accordingly the Company does not consolidate these entities in its consolidated financial statements for the year ended December 31, 2020.

Future minimum lease payments are as follows:

For the Year Ending December 31,	Related Parties	Total
2021	$ 723,000	$ 1,454,000
2022	723,000	1,176,000
2023	723,000	1,189,000
2024	723,000	1,182,000
2025	723,000	984,000
Thereafter	1,748,000	1,748,000
Total	$ 5,363,000	$ 7,733,000

Rent expense for the year ended December 31, 2020 totaled approximately $1,621,000, of which approximately $723,000 was to a related party.

Coronavirus Pandemic

The global outbreak of the Coronavirus (COVID-19) in 2020 is currently creating unprecedented economic and social uncertainty throughout the world. Uncertainty regarding the future impact due to the longevity of the COVID-19 pandemic could lead to increased volatility in the markets in which the Company operates. However, as of the date the financial statements were available for issuance, the Company has not experienced any significant negative impacts to the business.

Note 11 - Major Customer and Supplier

Major Customer

The Company sells products to three customers that constitute a significant portion of the Company's revenues for the year ended December 31, 2020:

For the Year Ended December 31, 2020	**Percentage of Net Sales**	**Amount of Net Sales**	**Percentage Accounts Receivable**	**Amount of Accounts Receivable**
Customer A	35%	$ 17,150,000	14%	$ 1,510,000
Customer B	11%	5,225,000	5%	494,000
Customer C	10%	4,647,000	9%	965,000
Total	56%	$ 27,022,000	28%	$ 2,969,000

Major Supplier

The Company purchases inventory from one supplier that constitutes a significant portion of the Company's purchases for the year ended December 31, 2020:

For the Year Ended December 31, 2020	Percentage Net Purchases	Amount of Net Purchases	Percentage of Accounts Payable	Amount of Accounts Payable
Supplier A	10%	$ 896,000	0%	$ —

Note 12 – Related Party Transactions

Management Agreement

The Company maintains a management agreement with a member for management, consulting and financial services. Amounts to be paid under the management agreement are the greater of (i) $300,000 per annum or (ii) 2% of EBITDA, as defined. The agreement terminates in 2023, with automatic successive one-year renewal periods. The Company incurred approximately $300,000 in management fees and $240,000 in acquisition and advisory fees for the year ended December 31, 2020, which are included in management and consulting fees and acquisition costs, respectively, in the accompanying consolidated statement of income.

Subordinated Debt

For the year ended December 31, 2020, the Company paid interest on subordinated debt to members of approximately $1,227,000.

Note 13 – Due to Seller

Due to Seller relates to Holdbacks as described in the Asset Purchase Agreement ("APA's") for the respective acquisitions of Altair Technologies, Inc. and Larkin Precision Machining, Inc. and total $2,324,000 as of December 31, 2020. Approximately $1,324,000 is scheduled to be released in June 2021 and is presented as a current liability on consolidated balance sheet, and $1,000,000 scheduled to be released in October 2022 and as such are presented as a noncurrent liability on the consolidated balance sheet.

Note 14 - Executive Employment Agreements

The Company maintains Executive Employment Agreements with nine key members of management. These agreements may be continually renewed for an indefinite period. Amounts to be paid under the agreements during 2021, assuming the agreements are in effect for the entire year, will approximate $1,903,000 plus benefits such as health insurance, vacation pay and retirement plan contributions.

Note 15 - Employee Benefit Plan

The Company sponsors a 401(k) Employee Benefit Plan for eligible employees. The Company provides a matching contribution as outlined in the plan documents. Employer contributions totaled approximately $227,000 for the year ended December 31, 2020.

Note 16 – Equity-Based Compensation

The Company granted 400 of Common Units to members of management during January 2020. The grant units vest in four equal installments commencing on the first anniversary from the grant date. The fair value of the Common Units is estimated on the date of grant using the Black-Scholes Option Pricing Model ("Black-Scholes Model"). The value of the Common Units was immaterial on the date of issue.

Note 17 – Supplemental Disclosure of Non-Cash Investing and Financing Activities

Non-Cash Investing and Financing Activities		
Fair value of assets acquired and liabilities assumed in the acquisition of Larkin Precision Machning, Inc.	$	3,554,750
Acquisition of Larkin Precision Machining, Inc.	$	9,500,000
Deferred financing fees paid from debt proceeds	$	191,000
Due to seller holdback obligation related to acquisition of Larkin Precision Maching, Inc.	$	100,000

Note 18 – Subsequent Events

In January 2021 the Company entered into an interest rate swap agreement to manage interest rate risk related to debt that accrues interest at variable rates. The Company agreed to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount of the note payable with a financial institution (See Note 9.)

The Company has evaluated subsequent events through April 13, 2021, the date the financial statements were available to be issued.

Exhibit 99.2

IMG COMPANIES, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

IMG COMPANIES, LLC AND SUBSIDIARIES

CONTENTS

IMG COMPANIES, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

SEPTEMBER 30, 2021

Assets		
Current Assets		
Cash and cash equivalents	$	981,819
Accounts receivable, net		12,588,748
Inventories		8,732,242
Prepaid expenses and other current assets		318,989
Total Current Assets		22,621,798
Property and Equipment, Net		21,734,676
Goodwill		49,257,969
Other Assets		98,538
Total Assets	$	93,712,981
Liabilities and Members' Capital		
Current Liabilities		
Accounts payable	$	1,855,249
Accrued liabilities		3,344,417
Current portion of due to seller		1,000,000
Current portion of long-term debt		3,857,148
Total Current Liabilities		10,056,814
Long-term debt, Net of Unamortized Deferred Financing Fees		39,869,606
Due to Seller, Net of Current Portion		964,658
Deferred Rent		204,344
Total Liabilities		51,095,422
Commitments and Contingencies		
Members' Capital		42,617,559
Total Liabilities and Members' Capital	$	93,712,981

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

IMG COMPANIES, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Net Sales	$	50,616,836
Cost of Sales, Excluding Depreciation		26,164,494
Depreciation		2,908,501
Total Cost of Sales		29,072,995
Gross Margin		21,543,841
Selling, General and Administrative Expenses		8,009,608
Depreciation and Amortization		415,661
Professional Fees		
Acquisition Costs		445,900
Management and Consulting Fees		225,000
Legal, accounting and Other		347,912
Total Professional Fees		1,018,812
Operating Income		12,099,760
Other Income (Expense)		
Interest expense		(2,636,019)
Gain of foregiveness of Paycheck Protection Program loan		2,458,400
Other income, net		334,617
Total Other Expense		156,998
Net Income	$	12,256,758

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

IMG COMPANIES, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF MEMBERS' CAPITAL (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Preferred Units	Common Units	Amount
Balance - December 31, 2020	47,587	3,600	$ 31,942,839
Distributions to members	—	—	(1,582,038)
Net income	—	—	12,256,758
Balance - September 30, 2021	47,587	3,600	$ 42,617,559

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

IMG COMPANIES, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

Cash Flows from Operating Activities		
Net income	$	12,256,758
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		3,324,162
Acquisition costs		445,900
Amortization of deferred financing fees		140,763
Loss on disposal of property and equipment		2,920
Gain on foregiveness of Paycheck Protection Program loan		(2,458,400)
Deferred lease liability		(74,867)
Changes in operating assets and liabilities, net of acquisitions:		
(Increase) Decrease in:		
Accounts receivable		(677,051)
Inventories		(3,277,143)
Prepaid expenses and other assets		147,741
Increase In:		
Accounts payable and accrued liabilities		1,055,349
Total Adjustments		(1,370,626)
Net Cash Provided By Operating Activities		10,886,132
Cash Flows from Investing Activities		
Proceeds from disposal of property and equipment		500
Net cash paid in acquisition of INTA Technologies Corporation		(4,667,922)
Acquisition of property and equipment		(2,710,190)
Net Cash Used In Investing Activities		(7,377,612)
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt		2,281,765
Principal payments on long-term debt		(2,723,102)
Payment of earn-out agreement liability		(2,058,885)
Distributions to members		(1,582,038)
Payment of Due to seller		(1,358,940)
Net Cash Used In Financing Activities		(5,441,200)
Net Increase in Cash		(1,932,680)
Cash - Beginning		2,914,499
Cash - Ending	$	981,819
Supplemental Disclosures of Cash Flow Information		
Interest paid	$	2,568,689
Taxes paid	$	—

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

Note 1 - Organization and Business

The accompanying consolidated financial statements include the accounts of IMG Companies, LLC ("the Company"), a Delaware limited liability company formed on April 29, 2016, and its wholly owned subsidiaries IMG, LLC, Applied Fusion, LLC and IMG Altair, LLC. IMG, LLC was formed as a Delaware limited liability company on April 29, 2016. The Company began conducting operations on June 13, 2016 with the acquisition of the assets and assumption of liabilities of Integrated Manufacturing Group, LLC, and is engaged in the manufacture of highly engineered components for the semiconductor, aerospace and energy industries. Applied Fusion, LLC was formed as a Delaware limited liability company on October 13, 2017 and began conducting operations on May 23, 2018 with the acquisition of certain assets and assumption of liabilities of Applied Fusion, Inc. IMG Altair, LLC was formed as a Delaware limited liability company on September 10, 2019 and began conducting operations on December 20, 2019 with the acquisition of the assets and assumption of liabilities of Altair Technologies, Inc. IMG Larkin, LLC was formed as a Delaware limited liability company on July 2, 2020 and began conducting operations on October 2, 2020 with the acquisition of certain assets and assumption of liabilities of Larkin Precision Machining, Inc. IMG INTA, LLC was formed as a Delaware limited liability company in early 2021 and began conducting operations on May 18, 2021 with the acquisition of certain assets and assumption of liabilities of INTA Technologies Corporation (see Note 4).

Member units are represented by two classes of securities (i) the Common Units and (ii) the Preferred Units. The Company has 47,587 Preferred Units issued and outstanding as of September 30, 2021. Common Units are awarded as compensation, vest pro-rata over a four year period and any unvested Common Units are forfeited upon termination of employment of the holder, and the Company has 3,600 Common Units outstanding as of September 30, 2021. Preferred units have a preferred return rate of 8% per annum (unpaid preferred return of approximately $4,686,000 as of September 30, 2021) and available cash is distributable to holders of Preferred and Common Units, as defined in the Amended and Restated Limited Liability Company Agreements dated December 20, 2019, with preference to the holders of Preferred Units.

These consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2020.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates in the preparation of the financial statements principally include assessing the collectability of accounts receivables, valuation of inventory, determining the useful lives and potential impairment of long-lived assets and potential impairment of goodwill. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

Revenue Recognition

The Company adopted FASB ASU No. 2014-09 (ASC 606) - Revenue from Contracts with Customers in January 2019 which provides guidance for revenue recognition that superseded the revenue recognition requirements in ASC 605, Revenue Recognition and most industry specific guidance.

The Company recognizes revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Company satisfies a performance obligation, as further described below.

Identify the contract with a customer. The Company generally considers documentation of terms with an approved purchase order as a customer contract provided that collection is considered probable, which is assessed based on the creditworthiness of the customer as determined by credit checks, payment histories, and/or other circumstances.

Identify the performance obligations in the contract. Performance obligations include sales of systems, spare parts, and services.

Determine the transaction price. The transaction price for the Company's contracts with its customers consists of both fixed and variable consideration provided it is probable that a significant reversal of revenue will not occur when the uncertainty related to variable consideration is resolved. Fixed consideration includes amounts to be contractually billed to the customer while variable consideration includes estimates for discounts and credits for future usage which are based on contractual terms and other factors known at the time. The Company generally invoices customers at shipment and for professional services either as provided or upon meeting certain milestones. Customer invoices are generally due within 30 to 90 days after issuance. The Company's contracts with customers typically do not include significant financing components as the period between the transfer of performance obligations and timing of payment are generally within one year.

Allocate the transaction price to the performance obligations in the contract. For contracts that contain multiple performance obligations, the Company allocates the transaction price to the performance obligations on a relative standalone selling price basis. Standalone selling prices are based on multiple factors including, but not limited to historical discounting trends for products and services and pricing practices in different geographies.

Recognize revenue when or as the Company satisfies a performance obligation. Revenue from the manufacture and sale of non-alternative use goods and services for which there is an enforceable right to payment, including a reasonable profit margin, are recognized over time based on an input method. Revenue from environmental lab services is recognized over time as services are completed or ratably over the contractual period of generally one year or less. Revenue from all other manufacture and sale of goods and services are recognized at a point in time, which is generally upon shipment or delivery.

Disaggregated revenue for the nine months ended September 30, 2021was as follows:

Revenue:		
Recognized over time	$	38,141,733
Recognized at a point in time		12,475,103
Total Revenue:	$	50,616,836

NOTE 3 – INVENTORIES

Raw materials	$	3,065,681
Work in process		4,221,743
Finished goods		1,444,818
Total Inventories	$	8,732,242

NOTE 4 – ACQUISITION

On May 18, 2021, the Company through its wholly owned subsidiary IMG INTA, LLC, purchased the assets and assumed certain liabilities of INTA Technologies Corporation for an initial acquisition price of approximately $12,000,000. The acquisition purchase price was funded with a cash payment of approximately $4,668,000, a seller note totaling $2,000,000, proceeds from the Company's term loan of $4,418,000, and a due to seller holdback of $1,000,000. The acquisition price allocation, recorded at fair value in accordance with ASC Topic 805, *Business Combinations*, was as follows:

Assets Acquired		
Accounts receivable	$	1,007,888
Inventories		860,288
Prepaid expenses and other current assets		40,195
Property and equipment		392,698
Total Assets Acquired		2,301,069
Liabilities Assumed		
Accounts payable		308,286
Accrued expenses		217,363
Total Liabilities Assumed		525,649
Excess of Consideration Exchanged over Fair Values of Net Assets Received (Goodwill)		10,224,580
Consideration Exchanged	$	12,000,000

The accompanying statement of income includes the results of operations from the date of the acquisition through September 30, 2021.

NOTE 5 - PROPERTY AND EQUIPMENT

		Amount	Estimated Useful Lives
Machinery and equipment	$	32,607,611	5 - 10 Years
Leasehold improvements		4,375,048	10 Years
Computer equipment and software		551,834	3 Years
Furniture and fixtures		128,247	3 - 7 Years
Vehicles		227,944	3 Years
		37,890,684	
Less accumulated depreciation		16,156,008	
Property and Equipment, Net	$	21,734,676	

NOTE 6 – GOODWILL

Balance - December 31, 2020	$	39,033,389
Acquisition of INTA Technologies Inc.		10,224,580
Balance - September 30, 2021	$	49,257,969

Note 7 – Earn-out Agreement Liability

In connection with the acquisition of Altair Technologies, Inc. during the year ended December 31, 2019, the Company entered into an earn-out agreement with the seller of the acquired company. The earn-out agreement provides for additional acquisition price to be paid to the seller by the Company in 2021, based on Altair Technologies, Inc. achieving certain financial performance measures for the year ending 2020, as defined in the earn-out agreement.

In accordance with the fair value measurements guidance, the valuation of the earn-out agreement liability was based on an internal valuation model that relied upon forward looking projections that considered all known information at the time, the most significant assumption being the adjusted EBITDA, as defined. Accordingly, an adjustment to record the earn-out liability at fair value as of December 31, 2020 of approximately $941,000 was made and reported in other income on the consolidated statement of income for the year ended December 31, 2020. The balance of the earn-out agreement liability of $2,058,897 was paid out during the nine months ended September 30, 2021.

The following table represents a reconciliation of the fair value of the Company's earn-out agreement liability for the nine months ended September 30, 2021:

Balance - December 31, 2020	$	2,058,885
Payment of earn-out agreement liability		(2,058,885)
Balance - September 30, 2021	$	-

Note 8 – Line of Credit

The Company maintains a revolving line of credit agreement with a financial institution with maximum available funding of $5,000,000, subject to a borrowing base, as defined by the agreement. The revolving line bears interest at the LIBOR rate plus 2.75%. The line is collateralized by substantially all assets of the Company and is guaranteed by the Company's subsidiary. The line is cross-defaulted with other loan agreements with the same financial institution (see Note 9), requires the maintenance of certain lockbox accounts, requires the maintenance of certain fixed charge coverage and leverage ratios, as defined, contains limitations on capital expenditures and expires on September 30, 2025, the maturity date. Certain ratio requirements have been waived by the financial institution for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020. There was no outstanding balance on the revolving line of credit as of September 30, 2021.	$	—

Note 9 - Long-Term Debt

All outstanding indebtedness of the Company was repaid in full on November 19, 2021 in connection with the Company's acquisition by Ichor Holdings, Ltd (see Note 18).

NOTES PAYABLE		
$27,000,000 note payable with the same financial institution as the line of credit, requires $321,429 monthly payments plus interest at the LIBOR rate plus 4% per annum and matures in September 30, 2025. The note is collateralized by substantially all assets of Company and is guaranteed by the Company's subsidiary. The note also requires the maintenance of certain fixed charge coverage and leverage ratios, as defined, and contains limitations on capital expenditures. Certain ratio requirements have been waived by the financial institution for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020. The note payable is cross-defaulted with other loan agreements with the same financial institution.	$	25,714,286
$4,000,000 capital expenditure loan with the same financial institution as the line of credit, payable in 36 equal installments beginning on the earlier of the date the amount drawn under the loan reaches $4,000,000 or 12 months from the first draw under the loan. The loan bears interest at the LIBOR rate plus 3% per annum and matures in September 30, 2025. The loan is collateralized by substantially all assets of Company and is guaranteed by the Company's subsidiary. The loan also requires the maintenance of certain fixed charge coverage and leverage ratios, as defined, and contains limitations on capital expenditures. Certain ratio requirements have been waived by the financial institution for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020. The loan payable is cross-defaulted with other loan agreements with the same financial institution.		2,281,765
Total Notes Payable		27,996,051
SUBORDINATED DEBT		
$5,417,000 term loan with a member. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. Certain ratio requirements have been waived by the member for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020.		5,518,083
$3,575,000 term loan with a member. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. Certain ratio requirements have been waived by the member for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020.		3,641,936
$1,842,000 term loan with a member. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. Certain ratio requirements have been waived by the member for January and February 2020 due to non-compliance by the Company in 2019. The Company is in compliance for all periods subsequent to February 2020.		1,876,149

$1,166,667 term loan with a member entered into October 2020. The loan provides for monthly payments of interest at a rate of 14% per annum. Principal and accrued interest are due at maturity in December 2025. The note is secured by substantially all of the Company's assets. The loan requires the maintenance of certain total funded debt, fixed charge coverage ratios, as defined and contains limitations on annual capital expenditures. The Company was in compliance for all of 2020.		1,166,667
$2,000,000 Subordinated Seller note payable. The loan bears interest at 6% per annum with quarterly interest only payments commencing January 2021, with all unpaid principal and accrued interest due in October 2025.		2,000,000
$2,000,000 Subordinated Seller note payable-INTA. The loan bears interest at 6% per annum with quarterly interest only payments commencing May 17, 2021, with all unpaid principal and accrued interest due in November 2026.		2,000,000
On April 9, 2020, the Company entered into a Paycheck Protection Program ("PPP or the Program") promissory note for total proceeds of $2,458,400, with a financial institution in relation to the enacted CARES Act administered by the U.S. Small Business Administration ("the "PPP note"). In accordance with the requirements of the CARES Act, the Company will use the proceeds of the notes primarily for payroll and other allowable costs. Interest on the note accrues at 1.00% per annum. No payments of principal or interest were due until October 2020, at which point payments in the amount of $108,049 principal and accrued interest are to be payable monthly until the April 2022 maturity date. Under the Program, these funds are eligible to be forgiven by the SBA, if certain conditions are met. As of December 31, 2020, due to uncertainty regarding the Company's eligibility for loan forgiveness, the PPP note has been recorded as a liability until officially forgiven. The loan was forgiven during the nine months ended September 30, 2021.		—
Total Subordinated Debt		16,202,835
Total Notes Payable and Subordinated Debt		44,198,886
Less Current Portion		3,857,148
Total Notes Payable, Net of Current Portion		40,341,738
Less: Unamortized Deferred Financing Costs		472,132
Total Long-Term Debt	$	39,869,606

Approximate annual maturities of long-term debt scheduled for payment for the five years after September 30, 2021 are as follows:

For the Year Ending December 31,		Amount
2021 (remaining)	$	964,287
2022		3,857,148
2023		4,617,736
2024		4,617,736
2025		28,141,978
2026		2,000,000
Total	$	44,198,886

Note 10 - Commitments and Contingencies

Operating Leases

The Company leases its operating facilities under a non-cancelable operating lease expiring in June 2031, including certain facilities from members. The operating facilities lease allows the Company to extend the lease for an additional five year term under substantially the same terms. The Company recognizes rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are recorded as deferred rent.

The affiliated entities, owned by members, from which the Company leases from are variable interest entities for which the Company is considered the primary beneficiary in accordance with accounting principles generally accepted in the United States. The Company has elected to apply *Accounting Standards Update No. 2014-07, Consolidation (Topic 810); Applying Variable Interest Guidance to Common Control Leasing Arrangements*, and accordingly the Company does not consolidate these entities in its consolidated financial statements for the nine months ended September 30, 2021.

Future minimum lease payments are as follows:

For the Year Ending December 31,	Related Parties	Total
2021 (remaining)	$ 242,000	$ 514,000
2022	981,000	2,215,000
2023	1,000,000	2,057,000
2024	1,019,000	2,102,000
2025	844,000	1,953,000
Thereafter	2,107,000	7,083,000
Total	$ 6,193,000	$ 15,924,000

Rent expense for the nine months ended September 30, 2021 totaled approximately $1,942,000, of which approximately $700,000 was to related parties.

Coronavirus Pandemic

The global outbreak of the Coronavirus (COVID-19) in 2020 is currently creating unprecedented economic and social uncertainty throughout the world. Uncertainty regarding the future impact due to the longevity of the COVID-19 pandemic could lead to increased volatility in the markets in which the Company operates. However, as of the date the financial statements were available for issuance, the Company has not experienced any significant negative impacts to the business.

Note 11 - Major Customer and Supplier

Major Customer

The Company sells products to three customers that constitute a significant portion of the Company's revenues for the nine months ended September 30, 2021:

For the Year Ended September 30, 2021	Percentage of Net Sales	Amount of Net Sales	Percentage Accounts Receivable	Amount of Accounts Receivable
Customer A	28%	$ 14,408,072	13%	$ 1,617,154
Customer B	10%	5,135,295	9%	1,110,137
Customer C	8%	4,301,614	5%	626,958
Total	46%	$ 23,844,981	27%	$ 3,354,249

Major Supplier

The Company purchases inventory from one supplier that constitutes a significant portion of the Company's purchases for the nine months ended September 30, 2021:

For the Year Ended September 30, 2021	Percentage Net Purchases	Amount of Net Purchases	Percentage of Accounts Payable	Amount of Accounts Payable
Supplier A	15%	$ 953,448	25%	$ 467,034

Note 12 – Related Party Transactions

Management Agreement

The Company maintains a management agreement with a member for management, consulting and financial services. Amounts to be paid under the management agreement are the greater of (i) $300,000 per annum or (ii) 2% of EBITDA, as defined. The agreement terminates in 2023, with automatic successive one-year renewal periods. Management fees for the nine months ended September 30, 2021 were approximately $225,000.

Subordinated Debt

For the nine months ended September 30, 2021, the Company paid interest on subordinated debt to members of approximately $1,320,000.

Note 13 – Due to Seller

Due to Seller relates to Holdbacks as described in the Asset Purchase Agreement ("APA's") for the respective acquisitions of Larkin Precision Machining, Inc. and INTA Technologies Corporation total $1,965,000 as of September 30, 2021. Approximately $1,000,000 is scheduled to be released in May 2022 and is presented as a current liability on consolidated balance sheet, and the remaining $965,000 scheduled to be released in October 2022 and as such are presented as a noncurrent liability on the consolidated balance sheet.

Note 14 - Executive Employment Agreements

The Company maintains Executive Employment Agreements with nine key members of management. These agreements may be continually renewed for an indefinite period. Amounts to be paid under the agreements during 2021, assuming the agreements are in effect for the entire year, will approximate $1,427,000 plus benefits such as health insurance, vacation pay and retirement plan contributions.

Note 15 - Employee Benefit Plan

The Company sponsors a 401(k) Employee Benefit Plan for eligible employees. The Company provides a matching contribution as outlined in the plan documents. Employer contributions totaled approximately $339,000 for the nine months ended September 30, 2021.

Note 16 – Supplemental Disclosure of Non-Cash Investing and Financing Activities

Non-Cash Investing and Financing Activities		
Acquisition of INTA Technologies Corporation in May 2021	$	2,000,000
Deferred financing fees paid from debt proceeds	$	532,150
Due to seller holdback obligation related to acquisition of INTA Technologies Corporation in May 2021	$	1,000,000

Note 18 – Subsequent Events

On November 19, 2021, Ichor Systems, Inc., a Delaware corporation ("Ichor") and wholly-owned subsidiary of Ichor Holdings, Ltd. (the "Registrant"), completed its acquisition of the Company, pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated November 11, 2021, by and among Ichor, Incline Merger Sub, LLC, a Delaware limited liability company and wholly-owned subsidiary of Ichor and the Registrant ("MergerCo"), the Company and Brian J. Miller, solely in his capacity as representative of the Company's equityholders.

Pursuant to the terms of the Merger Agreement, MergerCo merged with and into the Company (the "Merger"), with the Company as the surviving entity. As a result of the Merger, the Company became a wholly-owned subsidiary of Ichor and the Registrant.

Upon the closing of the Merger, all issued and outstanding membership interests of the Company were cancelled in exchange for the right to receive aggregate consideration of $270 million in cash, subject to customary closing and post-closing adjustments for net working capital, indebtedness, cash, and transaction expenses. Upon closing of the Merger, all outstanding indebtedness of the Company was repaid in full.

The Company has evaluated subsequent events through February 7, 2021, the date the financial statements were available to be issued.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 11, 2021, Ichor Systems, Inc., a Delaware corporation ("Ichor"), Incline Merger Sub, LLC, a Delaware limited liability company ("MergerCo," and each, a wholly-owned subsidiary of Ichor Holdings, Ltd. (the "Registrant")), IMG Companies, LLC, a Delaware limited liability company ("IMG"), and the representative of IMG's equity holders (solely in his capacity as such) entered into an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth therein, MergerCo will merge with and into IMG, with IMG as the surviving entity, and as a result, IMG will become a wholly-owned subsidiary of Ichor and the Registrant.

On November 19, 2021, Ichor completed its previously announced acquisition of IMG, pursuant to that certain Merger Agreement, dated November 11, 2021. Upon the closing of the Merger, all issued and outstanding membership interests of IMG were cancelled in exchange for the right to receive aggregate consideration of $270 million in cash, subject to customary closing and post-closing adjustments for net working capital, indebtedness, cash, and transaction expenses. IMG is a Livermore, CA-based precision machining, welding, brazing, and surface treatment business serving the semiconductor, medical, and aerospace/defense industries.

The following unaudited pro forma condensed combined ("pro forma") balance sheet as of September 24, 2021 gives effect to the acquisition as if it had occurred as of September 24, 2021. The pro forma statements of operations for the nine months ended September 24, 2021 and year ended December 25, 2020 give effect to the acquisition as if it occurred as of the beginning of the earliest period presented, on December 28, 2019.

The acquisition was accounted for as a business combination using the acquisition method of accounting, which established a new basis of accounting for all assets acquired and liabilities assumed at fair value. The pro forma adjustments are based upon currently available information and certain assumptions that are factually supportable and that we believe are reasonable under the circumstances and are expected to have a continuing effect on consolidated results of operations of the combined company. The final purchase price and the allocation thereof may differ from that reflected in the pro forma condensed combined financial statement after final valuation procedures are performed and estimates are refined.

The pro forma financial information is presented for informational purposes only and does not purport to present what our actual consolidated results of operations would have been had the transaction occurred on the dates indicated, nor are they necessarily indicative of future results of operations. The pro forma financial information should be read in conjunction with:

- Ichor's historical unaudited consolidated financial statements and accompanying notes (included in Ichor's Quarterly Report on Form 10-Q for the quarter ended September 24, 2021);
- Ichor's historical audited consolidated financial statements and accompanying notes (included in Ichor's Annual Report on Form 10-K for the year ended December 25, 2020);
- IMG's historical audited consolidated financial statements and accompanying notes for the year ended December 31, 2020 (included in Exhibit 99.1 to Ichor's Form 8-K/A filed herewith); and
- IMG's historical unaudited consolidated financial statements and accompanying notes for the nine months ended September 30, 2021 (included in Exhibit 99.2 to Ichor's Form 8-K/A filed herewith).

Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial information.

ICHOR HOLDINGS, LTD.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 24, 2021
(in thousands, except share data)

	Historical Ichor	Historical IMG	Pro Forma Adjustments		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 128,038	$ 982	$ (45,680)	(2b)	$ 83,340
Marketable securities	98,706	—	(98,706)	(2b)	—
Accounts receivable, net	121,680	12,589	—		134,269
Inventories	193,930	8,732	3,933	(2a)	206,595
Prepaid expenses and other current assets	7,161	319	—		7,480
Total current assets	549,515	22,622	(140,453)		431,684
Property and equipment, net	53,087	21,735	7,629	(2a)	82,451
Operating lease right-of-use assets	8,681	—	14,306	(2a)	22,987
Other noncurrent assets	7,350	98	—		7,448
Deferred tax assets, net	5,341	—	—		5,341
Intangible assets, net	29,676	—	63,660	(2a)	93,336
Goodwill	174,887	49,258	108,434	(2a)	332,579
Total assets	$ 828,537	$ 93,713	$ 53,576		$ 975,826
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ 137,970	$ 1,855	$ —		$ 139,825
Accrued liabilities and other current liabilities	32,451	4,345	—		36,796
Current portion of long-term debt	5,625	3,857	(3,857)	(2a, 2b)	5,625
Current portion of lease liabilities	4,927	—	2,209	(2a)	7,136
Total current liabilities	180,973	10,057	(1,648)		189,382
Long-term debt, less current portion, net	158,810	39,869	90,131	(2a, 2b)	288,810
Lease liabilities, less current portion	3,989	—	12,300	(2a)	16,289
Deferred tax liabilities, net	109	—	—		109
Other non-current liabilities	4,000	1,169	(203)	(2a)	4,966
Total liabilities	347,881	51,095	100,580		499,556
Shareholders' equity	480,656	42,618	(47,004)	(3e)	476,270
Total liabilities and shareholders' equity	$ 828,537	$ 93,713	$ 53,576		$ 975,826

ICHOR HOLDINGS, LTD.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 24, 2021
(in thousands, except share data)

	Historical Ichor	Historical IMG	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 809,729	$ 50,617	$ —		$ 860,346
Cost of sales	679,227	29,073	934	(3a)	709,234
Gross profit	130,502	21,544	(934)		151,112
Operating expenses	65,833	9,444	4,358	(3b)	79,635
Operating income	64,669	12,100	(5,292)		71,478
Interest expense, net	4,997	2,636	367	(3c)	8,000
Other expense (income), net	103	(2,793)	2,458	(3c)	(232)
Income before income taxes	59,569	12,257	(8,117)		63,710
Income tax expense	3,529	—	1,061	(3d)	4,590
Net income	56,040	12,257	(9,178)		59,120
Net income per share:					
Basic	$ 1.99				$ 2.10
Diluted	$ 1.93				$ 2.04
Shares used to compute net income per share:					
Basic	28,185,564				28,185,564
Diluted	28,961,308				28,961,308

ICHOR HOLDINGS, LTD.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 25, 2020
(in thousands, except share data)

	Historical Ichor	Historical IMG	Pro Forma Adjustments		Pro Forma Combined
Net sales	$ 914,236	$ 48,406			$ 962,642
Cost of sales	789,344	32,165	3,933	(3a)	825,442
Gross profit	124,892	16,241	(3,933)		137,200
Operating expenses	83,340	9,224	8,370	(3b)	100,934
Operating income	41,552	7,017	(12,303)		36,266
Interest expense, net	8,727	3,003	1,872	(3c)	13,602
Other expense (income), net	534	(942)	—		(408)
Income before income taxes	32,291	4,956	(14,175)		23,072
Income tax expense (benefit)	(988)	—	(1,988)	(3d)	(2,976)
Net income	33,279	4,956	(12,187)		26,048
Net income per share:					
Basic	$ 1.44				$ 1.12
Diluted	$ 1.42				$ 1.11
Shares used to compute net income per share:					
Basic	23,172,961				23,172,961
Diluted	23,460,105				23,460,105

ICHOR HOLDINGS, LTD.
Notes to Unaudited Pro Forma Condensed Combined Financial Information
(dollar figures in tables in thousands)

Note 1 – Basis of Pro Forma Presentation

The pro forma balance sheet as of September 24, 2021 combines our historical condensed consolidated balance sheet with the historical balance sheet of IMG and has been prepared as if the acquisition occurred on September 24, 2021. The pro forma statements of operations for the nine months ended September 24, 2021 and for the year ended December 25, 2020 combine our historical condensed consolidated statements of operations with the historical statements of operations of IMG and have been prepared as if the acquisition occurred as of the beginning of the earliest period presented, on December 28, 2019. The historical financial information is adjusted in the pro forma financial information to give effect to pro forma events that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) expected to have a continuing impact on the combined results.

The pro forma financial statements were prepared in accordance with Article 11 of SEC Regulation S-X, as amended by the final rule, Release No. 33-10786, *Amendments to Financial Disclosures about Acquired and Disposed Businesses*. Release No. 33-10786 replaces the existing pro forma adjustment criteria with simplified requirements to depict the accounting for the acquisition (“Transaction Accounting Adjustments”) and present the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur (“Management’s Adjustments”).

We have accounted for the acquisition using the acquisition method of accounting pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 805 – *Business Combinations* (“ASC 805”). In accordance with ASC 805, we use our best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed. Goodwill is measured as the excess of purchase price over the fair value of net tangible and identifiable intangible assets acquired.

Historical Ichor

Represents our condensed unaudited consolidated balance sheet as of September 24, 2021, our condensed unaudited consolidated statement of operations for the nine months ended September 24, 2021, and our condensed audited consolidated statement of operations for the year ended December 25, 2020.

Historical IMG

Represents the condensed unaudited consolidated balance sheet of IMG as of September 30, 2021, the condensed unaudited consolidated statement of operations for the nine months ended September 30, 2021, and the condensed audited consolidated statement of operations for the year ended December 31, 2020.

The pro forma financial information is provided for illustrative purposes only, is based on a preliminary purchase price allocation, and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of the combined company would have been had the acquisition occurred on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or financial position.

As a result of the acquisition, the pro forma balance sheet and pro forma statements of operations include the following pro forma adjustments:

- Changes in assets and liabilities to record the preliminary estimates of fair value of the acquisition;
- Changes in cost of sales resulting from preliminary estimates of fair value of IMG’s inventories and alignment of accounting policy estimates of IMG and Ichor related to inventory excess and obsolescence and factory burden absorption;
- Changes in operating expenses due to (1) amortization expense resulting from preliminary estimates of fair value of IMG’s customer relationships and order backlog; (2) management fees paid to certain of IMG’s previous owners that are non-recurring; and (3) acquisition-related costs incurred in connection with our acquisition of IMG;
- The changes in our debt and related interest expense resulting from financing the acquisition; and
- The effect of the above adjustments on income tax expense.

Note 2 – Preliminary Purchase Price Allocation and Purchase Price Summary

(a) Preliminary purchase price allocation

The table below represents the estimated preliminary purchase price allocation of net assets acquired based on their preliminary estimated fair values. Such amounts were estimated using the most recent financial statements of IMG as of September 30, 2021. Ichor does not believe the use of IMG's balances as of September 30, 2021, instead of the acquisition date, will result in a materially different allocation. However, certain amounts, such as the balances of cash and cash equivalents, long-term debt, and other working capital accounts, may vary based upon changes in IMG's balances between September 30, 2021 and the acquisition date, with offsetting changes to goodwill. As the valuations are finalized, increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments, which may result in material differences from the information presented herein. Our consolidated financial statements for the year ended December 31, 2021 will include updated amounts reflecting the preliminary estimated fair values as of the acquisition date.

	Historical IMG	Fair Value Adjustments		Preliminary Purchase Price Allocation
Cash and cash equivalents	$ 982	$ —		$ 982
Accounts receivable, net	12,589	—		12,589
Inventories	8,732	3,933	(1)	12,665
Prepaid expenses and other current assets	319	—		319
Current assets	22,622	3,933		26,555
Property and equipment, net	21,735	7,629	(1)	29,364
Operating lease right-of-use assets	—	14,306	(2)	14,306
Other noncurrent assets	98	—		98
Intangible assets, net	—	63,660	(3)	63,660
Goodwill	49,258	108,434	(4)	157,692
Total assets	93,713	197,962		291,675
Accounts payable	(1,855)	—		(1,855)
Accrued liabilities and other current liabilities	(4,345)	—	(1)	(4,345)
Current portion of long-term debt	(3,857)	3,857	(5)	—
Current portion of lease liabilities	—	(2,209)	(2)	(2,209)
Current liabilities	(10,057)	1,648		(8,409)
Long-term debt, less current portion, net	(39,869)	39,869	(5)	—
Lease liabilities, less current portion	—	(12,300)	(2)	(12,300)
Other noncurrent liabilities	(1,169)	203	(2)	(966)
Total liabilities	(51,095)	29,420		(21,675)
Net assets	$ 42,618	$ 227,382		$ 270,000

(1) Represents a step-up in the fair value of IMG's inventories and property and equipment.
(2) Represents the related adjustments to recognize IMG's lease right-of-use assets and lease liabilities associated with IMG's leased facilities.
(3) Represents IMG's customer relationships and order backlog intangible assets at their estimated fair values.
(4) Represents the excess of purchase price over net identifiable assets acquired, net of eliminating IMG's historical goodwill.
(5) Eliminates IMG's indebtedness that was paid off with at the time of acquisition.

(b) Purchase price summary

The table below represents the sources and uses of purchase price and estimated transaction costs:

Sources of funds:		
Long-term debt	$	130,000
Marketable securities		98,706
Cash and cash equivalents		45,680
Total sources	$	274,386
Uses of funds:		
Preliminary purchase price	$	270,000
Estimated acquisition costs		4,386
Total uses	$	274,386

Note 3 – Pro Forma Adjustments

(a) Cost of sales

We recognized a $3.9 million step-up in the fair value of IMG's inventories. This amount was subsequently released to cost of sales as acquired-inventories were sold. Accordingly, the impact to cost of sales is reflected during the year ended December 25, 2020, as substantially all acquired-inventories would have been sold within one year. The nine months ended September 24, 2021 includes certain charges related to aligning IMG's accounting policy estimates related to recording inventory excess and obsolescence reserves and absorption of factory burden with ours. There was no adjustment for the year ended December 25, 2020 as the amount was not significant to the pro forma statement of operation for the period then ended.

(b) Operating expenses

Based on preliminary fair value estimates of IMG's intangible assets, we allocated $61.1 million and $2.6 million, to IMG's customer relationships and order backlog assets, respectively, which have estimated useful lives of 10 years and 3 months, respectively.

Included in IMG's historical statements of operations were management fees paid to certain of IMG's previous owners. These amounts have been eliminated, as they are no longer payable under IMG's ownership by Ichor.

The following table summarizes pro forma adjustments to operating expenses:

	Nine Months Ended September 24, 2021	Year Ended December 25, 2020
Amortization expense	$ 4,583	$ 8,670
Management fees	(225)	(300)
Operating expenses	$ 4,358	$ 8,370

(c) Non-operating expenses

In connection with the acquisition, we financed a portion of the purchase price with a $130.0 million draw on our revolving credit facility. All outstanding indebtedness of IMG was paid-off at acquisition close. The associated adjustments to the pro forma statements of operations reflect the incremental interest expense associated with our $130.0 million in incremental debt, calculated using our weighted average interest rate in effect during each period, offset by the elimination of IMG's historical interest expense.

During IMG's nine months ended September 30, 2021, they received forgiveness of a Paycheck Protection Program ("PPP") loan of approximately $2.5 million. This gain, which is reflected in other expense (income), net has been eliminated in the pro form statement of operations for the nine months ended September 24, 2021.

The following table summarizes pro forma adjustment to non-operating expenses:

	Nine Months Ended September 24, 2021	Year Ended December 25, 2020
Interest expense, net	$ 367	$ 1,872
Other expense (income), net	$ 2,458	$ —

(d) Income tax expense (benefit)

Prior to being acquired by Ichor, IMG elected to be taxed as a partnership. As such, there was no provision for income taxes in IMG's historical statements of operations. Accordingly, this pro forma adjustment reflects a provision for income tax expense (benefit) based on our statutory tax rate of 24.6% and 21.6% for the nine months ended September 24, 2021 and year ended December 25, 2020, respectively.

(e) Shareholders' equity

The adjustment to shareholders' equity reflects the elimination of IMG's members' capital accounts and give effect to the $4.4 million in acquisition-related costs incurred by Ichor in connection with the acquisition, as summarized in *Note 2(b) – Purchase price summary*.