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8-K/A
8-K/A 1 cei-8ka_070319.htm AMENDMENT TO FORM 8-K

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

FORM 8-K/A

(Amendment No. 2)

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

Date of Report (Date of earliest event reported): **July 3, 2019**

Camber Energy, Inc.

(Exact name of registrant as specified in its charter)

Nevada	001-32508	20-2660243
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1415 Louisiana, Suite 3500, Houston, Texas 77002
(Address of principal executive offices)

(210) 998-4035
(Registrant's telephone number, including area code)

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

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 Par Value Per Share	CEI	NYSE American

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). ?

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

In its Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 9, 2019, as amended by the Amendment No. 1 thereto filed on July 10, 2019 (as amended, the "Initial Report"), Camber Energy, Inc. (the "Company") reported the acquisition of Lineal Star Holdings, LLC ("Lineal" and together with its subsidiaries, the "Lineal Entities"), pursuant to the terms of an Agreement and Plan of Merger entered into on July 8, 2019. This Current Report on Form 8-K/A (Amendment No. 2) amends and supplements the Initial Report to provide the historical financial statements and unaudited pro forma information required by Item 9.01(a) and (b) of Form 8-K. This Form 8-K/A should be read in conjunction with the Initial Report.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

On July 29, 2018, Lineal acquired 100% of the equity interests of Lineal Industries, Inc. The transaction was accounted for as a business combination, with Lineal Star Holdings, LLC considered the accounting acquirer of Lineal Industries, Inc. Prior to this acquisition, Lineal had no significant operations. As a result of the above transaction, under Regulation S-X for reporting purposes, Lineal Industries, Inc. is viewed as a "Predecessor" entity for reporting purposes, and Lineal Star Holdings, LLC is viewed as a " Successor" entity, as described in greater detail to Note 1 to the Audited Consolidated Financial Statements of the Lineal Entities.

Included in Exhibit 99.1 hereto are the audited financial statements of the Lineal Entitles, including: (a) Consolidated Balance Sheets as of March 31, 2019 (Successor) and 2018 (Predecessor); (b) Consolidated Statements of Operations for the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor) and the year ended March 31, 2018 (Predecessor); (c) Consolidated Statement of Changes in Members' Equity for the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor) and the year ended March 31, 2018 (Predecessor); (d) Consolidated Statements of Cash Flows for the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor) and the year ended March 31, 2018 (Predecessor); and (e) Notes to Consolidated Financial Statements (collectively, "Audited Consolidated Financial Statements of the Lineal Entities").

(b) Pro Forma Financial Information

The unaudited pro forma combined financial information of the Company, including the unaudited pro forma combined balance sheet as of March 31, 2019, the unaudited combined statement of operations for the year ended March 31, 2019 and the notes related thereto are included as Exhibit 99.2.

(c) Exhibits

Exhibit Number	Description of Exhibit
23.1	Consent of Marcum LLP
99.1	Audited Consolidated Financial Statements of the Lineal Entities
99.2	Unaudited Pro Forma Combined Financial Statements

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 hereunto duly authorized.

CAMBER ENERGY, INC.

By: *_/s/ Robert Schleizer_*
Name: *Robert Schleizer*
Title: Chief Financial Officer

Date: October 7, 2019

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements of Camber Energy, Inc. (the “Company”) on Form S-3 (File No. 333-173825, 333-216231, 333-214085, 333-213713, and 333-211066); Form S-8 (File No. 333-166257, 333-179220, 333-195959, 333-210732 and 333-217014); and Form S-1 (File No. 333-211066), of our report dated October 4, 2019 with respect to our audit of the consolidated financial statements of Lineal Star Holdings, LLC as of March 31, 2019 (Successor) and 2018 (Predecessor), the related consolidated statements of operations, changes in equity and cash flows for the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor) and the year ended March 31, 2018 (Predecessor), appearing in the current report on Form 8-K of the Company dated October 4, 2019.

/s/ Marcum LLP

Marcum LLP
Houston, Texas
October 7, 2019

Exhibit 99.1

Lineal Star Holdings, LLC

Consolidated Financial Statements

Lineal Star Holdings, LLC

Report of Independent Registered Public Accounting Firm

To the Board of Managers of
Lineal Star Holdings, LLC
Houston, TX

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Lineal Star Holdings, LLC (the "Company") as of March 31, 2019 (Successor) and 2018 (Predecessor), the related consolidated statements of operations, changes in equity and cash flows for the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor) and the year ended March 31, 2018 (Predecessor), and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2019 (Successor) and 2018 (Predecessor), and the results of its operations and its cash flows for the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor) and the year ended March 31, 2018 (Predecessor), in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with the audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2019.

Houston, Texas
October 7, 2019

Lineal Star Holdings, LLC

	March 31, 2019 (Successor)	March 31, 2018 (Predecessor)
Assets		
Current Assets		
Cash	$ 308,038	$ 17,925
Accounts receivable - net	1,925,314	1,945,524
Costs in excess of billings	1,811,209	1,859,235
Prepaid expenses and other current assets	71,372	66,373
Total current assets	4,115,933	3,889,057
Deferred tax asset, net	34,000	25,000
Property and equipment - net	941,310	1,492,462
Total assets	**$ 5,091,243**	**$ 5,406,519**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 363,473	$ 486,799
Billings in excess of costs	57,936	239,316
Provision for loss	44,726	460,202
Accrued compensation and benefits	510,496	560,086
Current portion of notes payable	234,135	—
Other accrued liabilities and payables	132,510	412,901
Total current liabilities	1,343,276	2,159,304
Notes payable - net of current portion	1,241,813	—
Total liabilities	2,585,089	2,159,304
Commitments and contingencies		
Stockholders' Equity		
Lineal Industries, Inc. common stock, 1,000 $0.10 par value shares authorized, 0 and 1,000 issued and outstanding, respectively	—	10
Lineal Industries, Inc. additional paid-in-capital	—	3,247,205
Lineal Star Holdings, LLC preferred shares, 2,000,000 authorized, no par value,		—
1,675,000 and 0 issued and outstanding, respectively	1,675,000	—
Lineal Star Holdings, LLC common shares, 2,000,000 authorized, no par value,		
1,000,000 and 0 issued and outstanding, respectively	937,716	—
Accumulated deficit	(106,562)	—
Total stockholders' equity	2,506,154	3,247,215
Total liabilities and stockholders' equity	**$ 5,091,243**	**$ 5,406,519**

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

	Period from July 29, 2018 through March 31, 2019	Period from April 1, 2018 through July 28, 2018	Year Ended March 31, 2018
	(Successor)	(Predecessor)	(Predecessor)
Contract revenue	$ 12,261,038	$ 3,634,139	$ 27,774,289
Contract costs	10,987,212	5,395,653	33,931,580
Contract income (loss)	1,273,826	(1,761,514)	(6,157,291)
Expenses:			
Selling, general and administrative expenses	2,464,497	744,231	1,688,852
(Gain) loss on sale of assets	166,565	(92,659)	(203,720)
	2,631,062	651,572	1,485,132
Operating loss	(1,357,236)	(2,413,086)	(7,642,423)
Gain on bargain purchase	1,162,075	—	—
Other income (expense), net	54,599	396	(731)
Income (loss) before taxes	(140,562)	(2,412,690)	(7,643,154)
Provision (benefit) for income taxes	(34,000)	25,000	(270,000)
			—
Net income (loss)	$ (106,562)	$ (2,437,690)	$ (7,373,154)

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

Lineal Star Holdings, LLC

Consolidated Statements of Changes in Stockholders' Equity

	Preferred Shares		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	$	Shares	$			
Balance March 31, 2017 (Predecessor)	**— $**	**—**	**1,000 $**	**10 $**	**29,886,286 $**	**(26,640,700) $**	**3,245,596**
Capital contributions	—	—	—	—	7,374,773	—	7,374,773
Net loss	—	—	—	—	—	(7,373,154)	(7,373,154)
Balance March 31, 2018 (Predecessor)	**—**	**—**	**1,000**	**10**	**37,261,059**	**(34,013,854)**	**3,247,215**
Capital contributions		—	—	—	1,851,959	—	1,851,959
Net loss	—	—	—	—	—	(2,437,690)	(2,437,690)
Balance July 28, 2018 (Predecessor)	**— $**	**—**	**1,000 $**	**10 $**	**39,113,018 $**	**(36,451,544) $**	**2,661,484**
Balance July 29, 2018 (Successor)	**— $**	**—**	**— $**	**— $**	**— $**	**— $**	**—**
Issuance of preferred shares for cash	1,675,000	1,675,000	—	—	—	—	1,675,000
Issuance of member common shares for services	—	—	1,000,000	937,716	—	—	937,716
Net loss			—	—	—	(106,562)	(106,562)
Balance March 31, 2019 (Successor)	**1,675,000 $**	**1,675,000**	**1,000,000 $**	**937,716 $**	**— $**	**(106,562) $**	**2,506,154**

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

	Period from July 29, 2018 through March 31, 2019 (Successor)	Period from April 1, 2018 through July 28, 2018 (Predecessor)	Year Ended March 31, 2018 (Predecessor)
Cash Flows from Operating Activities			
Net loss	$ (106,562)	$ (2,437,690)	$ (7,373,155)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	57,776	156,897	385,115
(Gain) loss on asset sales	166,565	(92,659)	(203,720)
Provision (benefit) for income taxes	(34,000)	25,000	(270,000)
Bad debt expense	—	162,849	—
Stock-based compensation	937,716	—	—
Gain on bargain purchase	(1,162,075)	—	—
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable	(310,343)	168,492	401,066
Cost in excess of billings	(58,707)	106,733	(1,099,890)
Prepaid expenses and other current assets	(28,980)	23,192	(49,555)
Billings in excess of cost	(156,579)	(24,802)	152,664
Provision for loss	(66,823)	(348,653)	458,077
Accounts payable and accrued expenses	(757,786)	212,143	(48,518)
Net cash used in operating activities	(1,519,798)	(2,048,498)	(7,647,916)
Cash Flows from Investing Activities			
Cash paid for acquisition - net	(324,409)	—	—
Cash paid for property and equipment additions	(71,124)	—	—
Proceeds from sale of property and equipment	264,223	178,614	291,068
Net cash provided by (used in) investing activities	(131,310)	178,614	291,068
Cash Flows from Financing Activities			
Proceeds from notes payable	199,940	—	—
Payments on notes payable	(8,131)	—	—
Net proceeds from line of credit	92,337	—	—
Capital contributions	—	1,851,959	7,374,773
Proceeds from sale of preferred shares	1,675,000	—	—
Net cash provided by financing activities	1,959,146	1,851,959	7,374,773
Net Change in Cash	308,038	(17,925)	17,925
Cash - beginning of year	—	17,925	—
Cash - end of year	**$ 308,038**	**$ —**	**$ 17,925**
Cash paid for interest	$ 10,588	$ —	$ —
Cash paid for taxes	$ —	$ —	$ —
Non-cash investing and financing activities			
Debt issued for acquisition	$ 1,175,000	$ —	$ —
Equipment purchased with debt	$ 109,140	$ —	$ —

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

Note 1 - Nature of Business

Lineal Star Holdings, LLC, a Delaware limited liability company, and its subsidiaries (collectively, the "Company") is a provider of upstream, midstream, and utilities pipeline maintenance, specialty construction and integrity services. The Company, based in Houston, Texas, is the parent company of its wholly-owned subsidiaries: (a) 64-year-old Lineal Industries Inc. ("Lineal Industries"), based in Pittsburgh, Pennsylvania, and (b) Lineal Star Incorporated ("Lineal Star"), headquartered in Houston, Texas.

On July 29, 2018, the Company acquired 100% of the equity interests of Lineal Industries, Inc. The transaction was accounted for as a business combination, with Lineal Star Holdings, LLC considered the accounting acquirer of Lineal Industries, Inc. Prior to this acquisition, the Company had no significant operations. As a result of the above transactions, under Regulation S-X for reporting purposes, Lineal Industries, Inc. is viewed as a Predecessor entity for reporting purposes, and Lineal Star Holdings, LLC is viewed as a Successor entity. The basis of presentation is not consistent between the successor and predecessor entities and the financial statements are not presented on a comparable basis. As a result, the accompanying consolidated statements of operations, stockholders' equity and cash flows are presented for two different reporting entities: the Successor, which consists of the combined operations of Lineal Star Holdings, LLC and Lineal Industries, Inc. for the period from July 29, 2018 through March 31, 2019; and the Predecessor, which consists of the operations of Lineal Industries, Inc. for the period from April 1, 2018 through July 28, 2018 and the year ended March 31, 2018. See Note 4 for additional information regarding the acquisition.

Note 2 – Liquidity

At March 31, 2019 (Successor), the Company's total current assets of $4.1 million exceeded its total current liabilities of approximately $1.3 million, resulting in working capital of $2.8 million. $0.3 million of the current assets are cash. In addition, the Company had approximately $0.8 million of excess availability on its demand note payable with a preferred stockholder as disclosed in Note 6.

The Company reported a net operating loss of $1.4 million for the period from July 29, 2018 through March 31, 2019 (Successor).

Management believes that the Company and its current parent company have more than sufficient cash to fund operations for over one year from the date of the filing of these audited financial statements and therefore management believes that the Company has sufficient funds to maintain operations for the next twelve months from the issuance of these financial statements.

Note 3 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Lineal Star Holdings, LLC and all of its wholly-owned and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 items subject to such estimates and assumptions include revenue recognition under the percentage-of-completion method of accounting, including estimates of progress towards completion and estimates of gross profit or loss accrual on contracts in progress; tax accruals and certain other accrued liabilities; quantification of amounts recorded for contingencies; valuation allowances for accounts receivable and deferred income tax assets; and the carrying amount of property, plant and equipment, goodwill and intangible assets. The Company bases its estimates on historical experience and other assumptions that it believes relevant under the circumstances. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and financial instruments which mature within three months of the date of purchase. The Company maintains cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits of $250,000. At March 31, 2019 (Successor) and 2018 (Predecessor), the Company had no cash in excess of the federally insured limit. Historically, the Company has not experienced any losses in such accounts. The Company had no cash equivalents at March 31, 2019 or 2018.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash, accounts receivable, and accounts payable approximate their fair value due to the short maturity of such instruments.

Accounts Receivable

Most of the accounts receivable and contract work in progress are from clients in the oil, gas, refinery, petrochemical and power industries in North America. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Most contracts require payments as the projects progress or, in certain cases, advance payments. The Company generally does not require collateral, but in most cases can place liens against the property, plant or equipment constructed or terminate the contract if a material default occurs. The allowance for doubtful accounts is the Company's best estimate of the probable amount of credit losses in the Company's existing accounts receivable. A considerable amount of judgment is required in assessing the realization of receivables. Relevant assessment factors include the creditworthiness of the customer and prior collection history. Balances over 90 days past due are reviewed individually for collectability. Account balances are charged off against the allowance after all reasonable means of collection are exhausted and the potential for recovery is considered remote. The allowance requirements are based on the most current facts available and are re-evaluated and adjusted on a regular basis and as additional information is received. At March 31, 2019 (Successor) and 2018 (Predecessor), there were no allowances deemed necessary. Additionally, there were no bad debts recorded for the years ended March 31, 2019 and 2018.

Included in accounts receivable at March 31, 2019 (Successor) and 2018 (Predecessor) are balances of approximately $992,000 and $787,000, respectively, of billed balances not paid by customers pursuant to retainage provisions in the respective contracts. The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on the Company's contract terms in recent years, the retainage balances at each balance sheet date are expected to be collected within the next 12 months.

Receivable Factoring

The Company has a factoring agreement with an unrelated third-party financial institution whereby the Company can receive up to 85% of a billed invoice and pay a factoring fee of 10% per annum on balances outstanding under the factoring agreement. The arrangement is accounted for as a secured borrowing due to the full recourse provided by the Company. At March 31, 2019 (Successor) and 2018 (Predecessor), the Company had borrowed $199,940 and $0, respectively, which is included in the current portion of notes payable on the consolidated balance sheet.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their useful lives. Amortization of the equipment under capital leases is computed using the straight-line method over lives ranging from 3 to 5 years and is included in depreciation expense. Costs of maintenance and repairs are charged to expense when incurred.

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if an impairment of such asset is necessary. This evaluation, as well as an evaluation of our intangible assets, requires the Company to make long-term forecasts of the future revenues and costs related to the assets subject to review. Forecasts require assumptions about demand for the Company's services and future market conditions. Estimating future cash flows requires significant judgment, and the Company's projections may vary from the cash flows eventually realized. Future events and unanticipated changes to assumptions could require a provision for impairment in a future period. The effect of any impairment would be to expense the difference between the fair value (less selling costs) of such asset and its carrying value. Such expense would be reflected in earnings. No impairments were deemed necessary for the years ended March 31, 2019 and 2018.

Provision for Loss

We recognize a loss on a portion of a project in the month we anticipate having a loss on the entire project, on the Company's consolidated financial statements. We calculate a loss provision based on comparing expected margin versus actual to date margin on the project. Actual margin to date is based on 1) actual costs to date and the estimated cost to completion compared to 2) project inception to date margin. The loss is calculated and recorded as an expense and accumulate on the balance sheet in a liability account. Over time, the liability account will reverse itself as the Company realizes the loss projected. Any realized losses are included in cost of revenue in the consolidated statement of operations as they occur until the project is completed.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when management assesses that it is probable that a liability has been incurred and the amount can be reasonably estimated.

The Company is obligated under operating leases primarily for equipment leases building rent and other property expiring at various dates through 2023. In some instance, leases require the Company to pay taxes, insurance, utilities, and maintenance costs.

Revenue Recognition

The Company adopted ASC Topic 606 on April 1, 2018, using the modified retrospective method applied to contracts that were not completed as of April 1, 2018. Under the modified retrospective method, prior period financial positions and results will not be adjusted. The cumulative effect adjustment recognized in the opening balances included no changes as a result of this adoption.

Revenue is recognized based on the following five step model:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract

- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

All of the Company’s revenue is currently generated from utilities pipeline maintenance contracts. As such no further disaggregation of revenue information is provided.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company’s contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct.

Revenue for the Company’s contracts that satisfy the criteria for over time recognition is recognized as the performance obligation is satisfied. If one of the following criteria are met during the contract period, control is considered to be transferred to the customer, and the performance obligation is satisfied:

? The customer simultaneously receives and consumes the benefits provided by the Company’s performance as the Company performs the service;
? The Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
? The Company’s performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for the performance completed to date.

The majority of the Company’s revenue is derived from contracts and projects that typically span between 3 to 12 months. The Company’s construction contracts will continue to be recognized over time because of the continuous transfer of control to the customer as all of the work is performed at the customer’s site and, therefore, the customer controls the asset as it is being constructed. Contract costs include labor, material, and indirect costs.

Contract Estimates

Accounting for long-term contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognize that profit over the life of the contract.

Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, and the performance of subcontractors.

Variable Consideration

The transaction price for the Company’s contracts may include variable consideration, which includes increases to transaction price for approved and unapproved change orders, claims and incentives, and reductions to transaction price for liquidated damages. Change orders, claims and incentives are generally not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as a modification of the existing contract and performance obligation. The Company estimates variable consideration for a performance obligation at the most likely amount to which the Company expects to be entitled (or the most likely amount we expect to incur in the case of liquidated damages), utilizing estimation methods that best predict the amount of consideration to which we will be entitled (or will be incurred in the case of liquidated damages). The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. The Company’s estimates of variable consideration and determination of whether to include estimated amounts in transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to it. The effect of variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in transaction price (or excluded from transaction price in the case of liquidated damages) are not resolved in the Company’s favor, or to the extent incentives reflected in transaction price are not earned, there could be reductions in, or reversals of, previously recognized revenue. No adjustment on any one contract was material to our consolidated financial statements.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts (contract assets) on the consolidated balance sheet. On the Company's construction contracts, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. Generally, billing occurs prior to revenue recognition, resulting in contract liabilities. These assets and liabilities are reported on the consolidated balance sheet on a contract-by-contract basis at the end of each reporting period.

Income Taxes

The Company has elected to be taxed as a corporation. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates due to changes in legislation is recognized as income or expense in the period that includes the enactment date.

The ultimate realization of deferred tax assets related to net operating loss carry forwards, including federal and state net operating loss carry forwards, is dependent upon the generation of future taxable income in a particular tax jurisdiction during the periods in which the use of such net operating losses are allowed. The Company considers future taxable income, including the impacts of reversing taxable temporary differences, future forecasted income and available tax planning strategies, when evaluating whether deferred tax assets are more likely than not to be realized prior to expiration.

The Company will file income tax returns in the United States federal jurisdiction, in various states and in various foreign jurisdictions. The Company's tax returns are subject to examination for tax years for 2008 forward, for the United States and the majority of the state jurisdictions. Willbros United States holdings, Inc., which sold control of Lineal Industries, Inc., to the Company on July 29, 2018, agreed to indemnify the Company against taxes due prior to the date of such acquisition.

Concentration of Credit Risk

The Company has a concentration of customers in the oil and gas and power industries which expose the Company to a concentration of credit risk within a single industry. The Company seeks to obtain advance and progress payments for contract work performed on major contracts. Receivables are generally not collateralized.

During the period from July 29, 2018 through March 31, 2019 (Successor), one customer accounted for approximately 85% of the Company's revenue; during the period from April 1, 2018 through July 28, 2018 (Predecessor), four customers accounted for approximately 50%, 17% 17% and 16% of the Company's revenue, respectively; and during the year ended March 31, 2018, three customers accounted for approximately 23%, 18% and 14% of the Company's revenue. At March 31, 2019, one customer accounted for approximately 93% of outstanding accounts receivable. At March 31, 2018 (Predecessor), four customers accounted for 24%, 23%, 22% and 14% of outstanding accounts receivable.

Recently Adopted Accounting Pronouncements

Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers (Topic 606),*" supersedes the revenue recognition requirements and industry-specific guidance under Revenue Recognition (Topic 605). Topic 606 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Company adopted Topic 606 on April 1, 2018, using the modified retrospective method applied to contracts that were not completed as of April 1, 2018. Under the modified retrospective method, prior period financial positions and results will not be adjusted. The cumulative effect adjustment recognized in the opening balances included no changes as a result of this adoption. Topic 606 required certain changes to the presentation of revenues and related expenses beginning April 1, 2018, but upon review of the contracts entered into, there is a similar number of performance obligations, and in most cases, the Company has determined that the method of revenue recognition for these contracts is the same as the Company previously utilized considering different elements, such as variable consideration, when evaluating their transaction prices. The Company ultimately determined that over time revenue recognition was appropriate via the percentage-of-completion method, based on time incurred, or as units are produced in accordance with ASC 606-10-25-27 as the Company satisfies its performance obligations over time. Refer to Note 8 – Revenue from Contracts with Customers, for additional information.

In August 2016, the FASB issued ASU 2016-15, "*Statement of Cash Flows (Topic 230)*". ASU 2016-15 seeks to reduce the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update is effective for fiscal years beginning after December 15, 2017. The Company adopted this ASU on April 1, 2018, and the adoption did not have a significant impact to the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "*Business Combinations: Clarifying the Definition of a Business*", which amends the current definition of a business. Under ASU 2017-01, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. ASU 2017-01 further states that when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The new guidance also narrows the definition of the term "outputs" to be consistent with how it is described in Topic 606, *Revenue from Contracts with Customers*. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions. The guidance is effective for the annual period beginning after December 15, 2017, with early adoption permitted. The Company adopted this ASU on April 1, 2018, and the adoption did not have a significant impact to the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "*Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*", which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The Company adopted this ASU on April 1, 2018, and the adoption did not have a significant impact to the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. This ASU represents a significant change in the ACL accounting model by requiring immediate recognition of management's estimates of current expected credit losses (CECL). Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The new model is applicable to all financial instruments that are not accounted for at fair value through net income, thereby bringing consistency in accounting treatment across different types of financial instruments and requiring consideration of a broader range of variables when forming loss estimates. Although this change affects any entity holding financial instruments, the financial services industry by its nature bears the most exposure. How these entities are responding to the new ASU can provide insights for other affected entities. The standard is currently effective for fiscal years beginning after December 15, 2019. The Company has not adopted this standard and will do so when specified by the FASB.

In August 2018, the FASB issued ASU 2018-13, "*Disclosure Framework: Changes to the Disclosure Requirements for Fair Value Measurement*", which changes the disclosure requirements for fair value measurements by removing, adding, and modifying certain disclosures. ASU 2018-13 is effective for financial statements issued for annual periods beginning after December 15, 2019, and interim periods within those annual periods. Early adoption is permitted. The Company is currently evaluating the impact of adoption of this ASU on its related disclosures and does not expect it to have a material impact on its consolidated financial statements.

In July 2018, the FASB issued ASU 2018-11, "*Leases (Topic 842): Target Improvements*". The amendments in this update also clarify which Topic (Topic 842 or Topic 606) applies for the combined component. Specifically, if the non-lease component or components associated with the lease component are the predominant component of the combined component, an entity should account for the combined component in accordance with Topic 606. Otherwise, the entity should account for the combined component as an operating lease in accordance with Topic 842. An entity that elects the lessor practical expedient also should provide certain disclosures. The Company is currently evaluating the adoption of this guidance and does not expect that this guidance will have a material impact on its consolidated financial statements. The Company has not adopted this standard and will do so when specified by the FASB.

In July 2018, the FASB issued ASU 2018-10, "*Codification Improvements to Topic 842, Leases*". The amendments in this update affect narrow aspects of the guidance issued in the amendments in update 2016-02 as described in the table below. The amendments in this update related to transition do not include amendments from proposed Accounting Standards Update, Leases (Topic 842): Targeted Improvements, specific to a new and optional transition method to adopt the new lease requirements in Update 2016-02. That additional transition method will be issued as part of a forthcoming and separate update that will result in additional amendments to transition paragraphs included in this Update to conform with the additional transition method. The Company is currently evaluating the adoption of this guidance and expects to recognize right of use assets and liabilities for its operating leases with a term of 12 months or greater, ranging from $700,000 to $800,000.

The Company does not believe that any other recently issued effective pronouncements, or pronouncements issued but not yet effective, if adopted, would have a material effect on the accompanying consolidated financial statements.

Subsequent Events

The Company has evaluated all transactions through the date the consolidated financial statements were issued for subsequent event disclosure consideration.

Note 4 – Acquisition of Lineal Industries, Inc.

In July 2018, the Company acquired all of the 1,000 issued and outstanding common shares of Lineal Industries, Inc. from Primoris for $2,350,000, comprised of a cash payment of $1,175,000 and a 5% promissory note of $1,175,000, with annual interest only due until maturity on July 30, 2021 (See Note 7 – Notes Payable). Following the close of the transaction, the Company received $850,591 in cash from Primoris to settle liabilities previously accrued by Lineal Industries prior to the close of the transaction.

The consideration transferred for the acquisition was as follows:

Cash, net	$	324,409
Long-term debt		1,175,000
Total consideration	$	1,499,409

The purchase price allocation of the acquired business was as follows:

Accounts receivable	$	1,614,972
Cost & Estimated Earnings in Excess of Billings		1,752,502
Other current assets		42,392
Property & Equipment		1,249,610
Accounts payable and accrued liabilities		(1,783,477)
Billings in excess of costs & earnings		(214,515)
Net assets acquired		2,661,484
Gain on bargain purchase		(1,162,075)
Total purchase price	$	1,499,409

As a result of the net assets acquired being greater than the value of the consideration transferred, the Company recognize a bargain purchase gain on the acquisition of $1,162,075 based on the excess value of the net assets acquired over the consideration transferred. The Company paid transaction costs of $212,972 during the period from July 29, 2018 through March 31, 2019 (Successor).

In July 2018, 940,000 common shares of Lineal Star Holdings, LLC were issued to certain employees for services in connection with the acquisition mentioned above, and an additional 60,000 shares were issued for services in connection with the acquisition between October 2018 and March 2019. Of these total shares, 260,000 were to vest over a service period of three years, with the remainder vesting immediately. At the time of the issuance, the fair value of the common shares was deemed to be $1,175,000. The Company recognized stock-based compensation expense of $937,716 in the period from July 29, 2018 through March 31, 2019 (Successor) for the shares issued. As of March 31, 2019, there was $237,284 of unrecognized compensation expense.

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	At March 31,			
	2019		2018	
	(Successor)		(Predecessor)	
Furniture and fixtures	$	5,000	$	5,000

Information systems	38,357	38,357
Construction equipment	1,450,641	1,974,757
Autos, trucks and trailers	2,572,723	3,202,049
Total cost	4,066,721	5,220,163
Accumulated depreciation	(3,125,411)	(3,727,701)
Net book value	$ 941,310	$ 1,492,462

Depreciation expense was $57,776 for the period from July 29, 2018 through March 31, 2019 (Successor), $156,897 for the period from April 1, 2018 through July 28, 2018 (Predecessor) and $385,115 for the year ended March 31, 2018.

During the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor), and the year ended March 31, 2018, the Company sold property and equipment to third parties with net book values of $430,788, $85,954 and $87,348, respectively, for proceeds of $264,223, $178,614 and $291,068, respectively. The Company recognized a gain (loss) of $(166,565), $92,659 and $203,720, respectively.

Note 6 – Demand Note Payable to Preferred Shareholder

Included in other accrued liabilities and payables as of March 31, 2019 (Successor), is a Demand Note dated August 16, 2018, evidencing amounts due to a holder of the preferred shares, with an outstanding balance of $92,337, bearing interest at 10% and secured by substantially all of the assets of the Company. The Company received cash proceeds from the note holder of $275,000 and repaid $182,663 during the period from July 29, 2018 through March 31, 2019 (Successor). Interest incurred and paid during the period from July 29, 2018 through March 31, 2019 was $8,459. The entire balance was paid off subsequent to March 31, 2019. The Company is able to re-borrow up to $800,000 from the note holder under this agreement, with $707,663 available as of March 31, 2019.

Note 7 – Notes Payable

Notes payable at March 31, 2019 (Successor) and 2018 (Predecessor) are comprised of the following:

	March 31, 2019 (Successor)	March 31, 2018 (Predecessor)
Promissory note to Willbros United States Holdings, Inc, interest rate of 5% due July 30, 2019 and 2020, maturing July 30, 2021, secured by the assets of the Company, interest incurred of $39,167, during year period from July 29, 2018 through March 31, 2019 (Successor)	$ 1,175,000	$ —
Equipment note payable to third party, original balance of $109,140, due in monthly installments of $3,420, interest rate of 24%, maturing December 30, 2021, secured by the equipment purchased, interest incurred of $2,129 during period from July 29, 2018 through March 31, 2019 (Successor)	101,008	—
Less: current maturities	(34,195)	—
Total	$ 1,241,813	$ —

During the period from July 29, 2018 through March 31, 2019 (Successor), the Company incurred total interest expense of $49,755, including $39,167 related to the Promissory Note to Willbros United States Holdings, Inc., $2,129 related to the equipment note payable and $8,459 related to the note to the holder of the preferred shares.

The following table summarizes the maturities of the equipment note by year:

Due during year ended March 31, 2020	$ 34,195
Due during year ended March 31, 2021	37,033
Due during year ended March 31, 2022	29,780
Total	$ 101,008

Note 8 – Revenue from Contracts with Customers

The Company adopted ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*," on April 1, 2018 using the modified retrospective method applied to contracts that were not completed as of April 1, 2018. Refer to "Note 3 – Summary of Significant Accounting Policies" for additional information.

For the contracts entered into, there is a similar number of performance obligations, and in most cases, the Company has determined that the method of revenue recognition for these contracts is the same as the Company previously utilized considering different elements, such as variable consideration, when evaluating their transaction prices. The Company ultimately determined that over time revenue recognition was appropriate via the percentage-of-completion method, based on time incurred, or as units are produced, in accordance with ASC 606-10-25-27 as the Company satisfies its performance obligations over time.

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts billed under the terms of the contracts. Contract billings in excess of cost and recognized income arise when billed amounts exceed revenues recorded. Amounts are billable to customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract.

As of March 31, 2019, the Company had approximately $9.2 million in unsatisfied performance obligations under its contracts in process. The Company expects to satisfy these performance obligations within the next 12 months.

Contract cost and recognized income not yet billed and related amounts billed as of March 31, 2019 and 2018 were as follows:

	March 31,	
	March 31, 2019	**March 31, 2018**
	(Successor)	(Predecessor)
Contract cost and recognized income not yet billed	$ 1,811,209	$ 1,859,235
Contract billings in excess of cost and recognized income	(57,936)	(239,316)
Net amount of cost and estimated earnings on uncompleted contracts in excess of billings	$ 1,753,273	$ 1,619,919

Note 9 – Commitments and Contingencies

The Company is obligated under operating leases primarily for equipment leases, building rent and other property expiring at various dates through 2023. In some instances, the leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was approximately $1,665,729 for the period from July 29, 2018 through March 31, 2019, $949,941 for the period from April 1, 2018 through July 28, 2018 (Predecessor) and $5,380,474 for the year ended March 31, 2018.

Future minimum annual commitments under these operating leases are as follows:

Years Ending March 31	**Amount**
2020	$ 833,142
2021	400,617
2022	340,859
2023	39,632
Total	$ 1,614,250

The Company has the usual liability of contractors for the completion of contracts and the warranty of its work. In addition, the Company acts as prime contractor on a majority of the projects it undertakes and is normally responsible for the performance of the entire project, including subcontract work. Management is not aware of any material exposure related thereto which has not been provided for in the accompanying consolidated financial statements.

The Company executed a consulting agreement with its interim CEO in January 2019. The Company will pay monthly fees of $10,000 for a period of three years. Additionally, the interim CEO received a success fee of $250,000 in cash and $250,000 in shares of stock of Camber upon completion of the merger described in Note 1. In the event of closing of a purchase or sale transaction as defined in the agreement, the interim CEO may receive a fee of 4% of the value of the transaction, up to a value of $5,000,000 and 2% of the value of the transaction thereafter.

Note 10 - Retirement Plans

The Company contributes to a multi-employer defined benefit pension plan under the terms of a collective-bargaining agreement that cover certain union-represented employees. Currently, the Company has no intention to withdraw from the plan. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If a participating employer chooses to stop participating in a multiemployer plan, the employer may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company receives an annual report disclosing the performance of the multiemployer plan and its ability to meet its benefit requirements based on its performance in the prior year. As of the latest report dated December 31, 2018, the multi-employer plan had adequate assets to pay benefits as they become due. Due to the short period of time between December 31, 2018 and March 31, 2019, and the occurrence of no significant items since December 31, 2018, the preparation of a new or updated actuarial report was not deemed necessary at March 31, 2019. Additionally, the Company is unable to provide additional quantitative information on the plan because the Company is unable to obtain that information without undue cost and effort.

The Employee Retirement Income Security Act of 1974 (“ERISA”), as amended by the Multi-Employer Pension Plan Amendments Act of 1980, imposes certain liabilities upon employers who are contributors to a multiemployer plan in the event of the employer’s withdrawal from, or upon termination of, such plan. The plans do not maintain information on the net assets and actuarial present value of the plans’ unfunded vested benefits allocable to the Company. As such, the amount, if any, for which the Company may be contingently liable, is not ascertainable at this time.

The majority of the Company’s unionized employees work in the building and construction industry (“B&C”), and, therefore, the Company believes it satisfies the criteria for the B&C industry exception under ERISA for those multiemployer pension plans that primarily cover employees in the B&C industry. As a result, the Company does not expect to be assessed a withdrawal liability when it ceases making contributions to those plans after the completion of a project or projects, so long as it does not continue to perform work in the jurisdiction of the pension plan on a non-union basis. The applicability of the B&C industry proviso is fact-specific, so there can be no assurance in any particular situation whether the B&C proviso applies or whether withdrawal liability will be assessed.

The following table contains a summary of plan information relating to the Company’s participation in the multiemployer pension plan, including Company contributions for the last two calendar years, status of the multiemployer plan, and whether the plan is subject to a funding improvement, rehabilitation plan or contribution surcharges.

Fund	EIN/ Plan Number	PPA Zone Status	Plan Year End for Zone Status	Subject to Funding Improvement/ Rehabilitation Plan	2018 Contributions (in thousands)	2017 Contributions (in thousands)	Sur-charge Imposed	Expiration Date of Collective Bargaining Agreement
Pennsylvania Heavy and Highway Contractors Pension Fund	23-6531755/ 001	Green (Greater than 80% funded)	12/31/2018	No	$ 1,985	$ 2,085	No	12/31/2021

Note 11 – Income Taxes

The Company recorded no provision for income taxes as follows:

Current taxes:	Period from July 29, 2018 through March 31, 2019 (Successor)	Period from April 1, 2018 through July 28, 2018 (Predecessor)	Year Ended March 31, 2018 (Predecessor)
Federal	$ —	$ —	$ —
State	—	—	—
	—	—	—
Deferred taxes:			
Federal	(27,000)	20,000	(216,000)
State	(7,000)	5,000	(54,000)
	(34,000)	25,000	(270,000)
Total	**$ (34,000)**	**$ 25,000**	**$ (270,000)**

The following is a reconciliation between actual tax expense (benefit) and income taxes computed by applying an estimated blended U.S. federal and state income tax rate of 27.6% to income from continuing operations before income taxes for the period from July 29, 2018 through March 31, 2019 (Successor), the period from April 1, 2018 through July 28, 2018 (Predecessor) and the year ended March 31, 2018 (Predecessor):

	Period from July 29, 2018 through March 31, 2019 (Successor)	Period from April 1, 2018 through July 28, 2018 (Predecessor)	Year Ended March 31, 2018 (Predecessor)
Computed at expected tax rates	$ (39,000)	$ (666,000)	$ (2,108,000)
Nondeductible expenses	173,000	59,000	162,000
Non-taxable gain on bargain purchase	(321,000)	—	—
Net operating loss limitation	—	492,000	1,676,000
Change in valuation allowance	205,000	53,000	—
Other	(52,000)	87,000	—
Total	$ (34,000)	$ 25,000	$ (270,000)

Tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred liabilities are presented below:

	At March 31, 2019 (Successor)	At March 31, 2018 (Predecessor)
Depreciation & Amortization	$ (191,000)	$ (392,000)
Federal and state net operating loss carryforwards	1,172,000	276,000
Charitable Contribution Carryforward	14,000	14,000
Accrual to Cash Conversion	(715,000)	—
Project Loss Provision	12,000	127,000
	292,000	25,000
Less: Valuation Allowance	(258,000)	—
Total	**$ 34,000**	**$ 25,000**

The above estimates are based on management's decisions concerning certain elections which could change the relationship between net income and taxable income. Management decisions are made annually and could cause the estimates to vary significantly.

Federal and state net operating losses at consisted of the following as of July 29, 2018:

		At July 29, 2018
		(Predecessor)
Federal	$	24,758,312
State		20,690,521

Federal NOL's generated prior to December 31, 2017 may be carried forward for 20 years. Federal NOL's generated after December 31, 2017 may be carried forward indefinitely but have limitations as to application.

Further, NOL's generated prior to the July 29, 2018 transaction are subject to limitations based on Section 382 of the Internal Revenue Code. There are similar limitations at the state level. Based on the manner on which the limitations are determined it is expected that the Company had useful loss carryforwards of ~$1,000,000 for federal and state purposes as of the July 29, 2018 transaction date.

Estimated useful loss carryforwards at March 31, 2019 (including losses generated after the transaction date) and March 31, 2018 (assumed based on July 29, 2018 transaction) are as follows:

	At March 31,			
		2019		2018
		(Successor)		(Predecessor)
Federal	$	4,377,177	$	1,000,000
State		3,823,320		1,000,000

Note 12 – Stockholders' Equity

At March 31, 2018, the shareholders' equity of Lineal Industries, Inc. included 1,000 shares of authorized, issued and outstanding common shares. In July 2018, Lineal Star Holdings, LLC, acquired all 1,000 of these shares from Primoris, and Lineal Industries, Inc., became a wholly-owned subsidiary of Lineal Star Holdings, LLC.

During the period from July 29, 2018 to March 31, 2019, one stockholder purchased 1,675,000 preferred shares of Lineal Star Holdings, LLC for total cash proceeds of $1,675,000. The preferred shares have no par value, a general liquidation preference with no designated value and ability to vote in corporate matters.

In July 2018, 1,000,000 common shares of Lineal Star Holdings, LLC were issued to certain employees for services provided in connection with the acquisition mentioned above. Of these shares, 260,000 were to vest over a period of three years. At the time of the issuance, the fair value of Lineal Star Holdings, LLC was deemed to be $1,175,000. See Note 4 for additional information.

Note 13 - Subsequent Events

Subsequent to March 31, 2019, the Company received cash proceeds of $400,000 on the demand note payable with the preferred shareholder. The entire principal balance of $492,337 was repaid in full in July 2019.

On July 8, 2019, the Company's securities were acquired by Camber Energy, Inc., a Nevada corporation ("Camber"), pursuant to the terms of an Agreement and Plan of Merger dated as of the same date (the "Plan of Merger" and the merger contemplated therein, the "Merger"), by and between the Company, Camber, Camber Energy Merger Sub 2, Inc., Camber's wholly-owned subsidiary ("Merger Sub"), and the Members of the Company (the "Lineal Members"). Pursuant to the Plan of Merger, Camber acquired 100% of the ownership of the Company from the Lineal Members in consideration for newly issued shares of Series E Redeemable Convertible Preferred Stock and Series F Redeemable Preferred Stock. Under certain circumstances, in the event the shareholders of Camber have not approved the issuance of shares of Camber common stock upon the conversion of the Series E Redeemable Convertible Preferred Stock and Series F Redeemable Preferred Stock and the voting rights associated therewith, and subject to applicable law, the Series E Redeemable Convertible Preferred Stock and Series F Redeemable Preferred Stock of Camber can be redeemed, on a one-for-one basis, for the common and preferred shares of Lineal, respectively, which would result, if such preferred stock was fully redeemed, in Lineal becoming fully-divested from Camber. In addition, there are certain circumstances where the common and preferred shares of Lineal may never become redeemable.

As part of this transaction, Camber loaned the Company $1,050,000, which amount accrues interest, compounded monthly, at 10% per annum (18% upon the occurrence of an event of default), beginning upon the date, if ever, that Camber no longer owns at least 50% of the voting securities of the Company (the "Interest Effective Date"), and is either to be (a) forgiven on the date that shareholder approval of Camber's shareholders is received for the issuance of shares of common stock upon conversion of the Series E Redeemable Convertible Preferred Stock and Series F Redeemable Preferred Stock ("Camber Shareholder Approval"); or (b) payable in full together with accrued interest thereon, two (2) years from the Interest Effective Date, or earlier upon acceleration upon the occurrence of an event of default under the Note. The amounts received by the Company in connection with the loan were used to pay off the entire balance of the related party demand note. In the event the Camber Shareholder Approval is received, the loan and all principal and interest due thereunder will be automatically forgiven by Camber.

Exhibit 99.2

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements were prepared using the net assets method of accounting under existing U.S. generally accepted accounting principles ("GAAP"), which are subject to change and interpretation, and give effect to the acquisition of Lineal Star Holdings, LLC and its subsidiaries ("Lineal") by Camber Energy, Inc. ("Camber"), pursuant to the terms of an Agreement and Plan of Merger ("Plan of Merger", and the merger contemplated therein, the "Merger"). Camber was determined to be the accounting acquirer based upon the terms of the Plan of Merger.

The unaudited pro forma combined balance sheet as of March 31, 2019 assumes the purchase took place March 31, 2019, and combines the historical financial statements of Lineal and Camber as of and March 31, 2019. The unaudited pro forma combined statement of operations for the year ended March 31, 2019 assumes that the acquisition took place as of April 1, 2018 and combines the historical financial statements of Lineal for the period from July 29, 2018 through March 31, 2019 (Successor) and the period from April 1, 2018 through July 28, 2018 (Predecessor) and Camber for the year ended March 31, 2019. The historical financial statements of Lineal and Camber have been adjusted to give effect to the acquisition (for accounting purposes) of Lineal by Camber. The pro forma assumptions and adjustments are described in the accompanying notes presented in the following pages.

The unaudited pro forma combined financial statements were prepared in accordance with the regulations of the SEC. The pro forma adjustments reflecting the completion of the purchase are based upon the preliminary accounting analysis conclusion that the purchase should be accounted for under the net assets method of accounting in accordance with GAAP and upon the assumptions set forth in the notes to the unaudited pro forma combined financial statements.

Lineal's statement of operations for the year ended March 31, 2019 was derived from its audited consolidated financial statements, included as Exhibit 99.1 herein filed with the Form 8-K/A.

Camber's statement of operations for the year ended March 31, 2019 were derived from its audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended March 31, 2019, filed with the Securities and Exchange Commission on July 1, 2019 (the "Camber 10-K"), and is incorporated by reference.

The historical financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the acquisition, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. The pro forma combined financial statements and pro forma adjustments have been prepared based on preliminary estimates of fair value. Differences between these preliminary estimates and the final acquisition accounting may occur and could have a material impact on the accompanying unaudited pro forma combined financial statements and the combined company's (the "Company's") future results of operations and financial position.

The unaudited pro forma combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the acquisition. The unaudited pro forma combined financial data also do not include any integration costs. The pro forma adjustments and assumptions are based on estimates, evaluations and other data currently available and, in management's opinion, provide a reasonable basis for the fair presentation of the estimated effects attributable directly to the acquisition completed as a result of the Merger. The unaudited pro forma combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Lineal and Camber been a combined company during the specified period. The unaudited pro forma combined financial statements, including the notes thereto, should be read in conjunction with Lineal's historical audited financial statements for the period from July 29, 2018 through March 31, 2019 (Successor) and the period from April 1, 2018 through July 28, 2018 (Predecessor), included as Exhibit 99.1 of this Form 8-K/A, and in conjunction with the Camber's historical audited consolidated financial statements included in the Camber Form 10-K.

Unaudited Pro Forma Combined Balance Sheet
As of March 31, 2019

	Historical Camber Consolidated	Historical Lineal Consolidated (Note 4)	Pro Forma Merger Adjustments	Note	Pro Forma Combined
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 7,778,723	$ 308,038	$ —		$ 8,086,761
Accounts receivables, net of allowances	129,037	1,925,314	—		2,054,351
Costs in Excess of Billings	—	1,811,209	—		1,811,209
Other current assets	263,205	71,372	—		334,577
Total current assets	8,170,965	4,115,933	—		12,286,898
Oil and Gas Properties – Subject to Amortization	50,528,953	—	—		50,528,953
Oil and Gas Properties – Not Subject to Amortization	28,016,989	—	—		28,016,989
Other Property and Equipment	1,570	4,066,721	(3,125,411)	A1	942,880
Total Property and Equipment	78,547,512	4,066,721	(3,125,411)		79,488,822
Accumulated Depletion, Depreciation, Amortization and Impairment	(78,334,324)	(3,125,411)	3,125,411	A1	(78,334,324)
Total Property and Equipment, Net	213,188	941,310	—		1,154,498
Goodwill	—	—	17,493,846	A2	17,493,846
Other assets	198,519	34,000	—		232,519
Total assets	$ 8,582,672	$ 5,091,243	$ 17,493,846		$ 31,167,761
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 1,521,329	$ 363,473	$ —		$ 1,884,802
Common stock payable	303,340	—	—		303,340
Accrued expenses and other liabilities	276,133	687,732	—		963,865
Current Income Taxes Payable	3,000	—	—		3,000
Billings in Excess of costs	—	57,936	—		57,936
Current maturities of debt	—	234,135	—		234,135
Total current liabilities	2,103,802	1,343,276	—		3,447,078
Asset retirement obligation	303,809	—	—		303,809
Derivative Liability	5	—	—		5
Notes payable – net of current portion	—	1,241,813	—		1,241,813
Total liabilities	2,407,616	2,585,089	—		4,992,705
Series E and F Preferred Stock	—	—	20,000,000	A3	20,000,000
STOCKHOLDERS' EQUITY					
Preferred Stock Series A, 2,000 Shares Authorized of $0.001 Par Value, -0- Shares issued and Outstanding	—	—	—		—
Preferred Stock Series B, 600,000 Shares Authorized of $0.001 Par Value, 44,000 Shares issued and Outstanding, respectively	44	—	—		44
Preferred Stock Series C, 5,000 Shares Authorized of $0.001 Par Value, 2,305 Shares issued and Outstanding, Liquidation Preference of $23,050,000	2	—	—		2

Lineal Star Holdings, LLC Preferred Shares, 2,000,000 authorized, no par value, 1,675,000 issued and outstanding	—	1,675,000	(1,675,000)	A4	—
Lineal Star Holdings, LLC Common Shares, 2,000,000 authorized, no par value,1,000,000 issued and outstanding	—	937,716	(937,716)	A4	—
Common stock, $0.001 par value; 250,000,000 shares authorized; 1,952,679 shares issued and outstanding	16,803	—	—		16,803
Additional paid-in capital	152,234,833	—	—		152,234,833
Stock Dividends Distributable	8,141,843	—			8,141,843
Accumulated deficit	(154,218,469)	(106,562)	106,562	A4	(154,218,469)
Total stockholders' equity	6,175,056	2,506,154	(2,506,154)		6,175,056
Total liabilities and stockholders' equity	$ 8,582,672	$ 5,091,243	$ 17,493,846		$ 31,167,761

Unaudited Pro Forma Combined Statement of Operations
For the Year Ended March 31, 2019

	Historical Camber Consolidated	Historical Lineal Consolidated (Note 4)	Pro Forma Merger Adjustments	Note	Pro Forma Combined
Net Operating Revenues					
Crude Oil	$ 526,365	$ —	$ —		$ 526,365
Natural Gas	772,105	—	—		772,105
Natural Gas Liquids	1,443,632	—	—		1,443,632
Contract Revenue	—	15,895,177	—		15,895,177
Total Revenue	2,742,102	15,895,177	—		18,637,279
Expenses:					
Cost of revenues	—	16,382,865	—		16,382,865
Lease Operating Expenses	2,870,908	—	—		2,870,908
Severance and Property Taxes	132,993	—	—		132,993
Depreciation, Depletion, Amortization and Accretion	478,770	214,673	—		693,443
Impairment of Oil and Gas Properties	1,304,785	—	—		1,304,785
(Gain) on Sale of Property and Equipment	(25,808,246)	73,906	—		(25,734,340)
General and administrative	5,152,766	2,994,055	—		8,146,821
Total expenses	(15,868,024)	19,665,499	—		3,797,475
Operating income (loss)	18,610,126	(3,770,322)	—		14,839,804
Other (income) expense:					
Interest expense	2,438,097	—	39,167	B1	2,477,264
Gain on bargain purchase	—	(1,162,075)			(1,162,075)
Other Expense (Income), net	(474,124)	(54,995)	(39,167)	B1	(568,286)
Total Other (Income) expense	1,963,973	(1,217,070)	—		746,903
Income (loss) before income taxes	16,646,153	(2,553,252)	—		14,092,901
Income tax (expense) benefit	(3,000)	9,000	—		6,000
Net income (loss)	16,643,153	(2,544,252)	—		14,098,901
Preferred stock dividends	(5,676,715)	—	(134,000)	B2	(5,810,715)
Net income (loss) attributable to common stockholders	$ 10,966,438	$ (2,544,252)	$ (134,000)		$ 8,288,186
Net income (loss) per common share:					
Basic	$ 2.22	$ —	$ —		$ 1.68
Diluted	$ 0.21	$ —	$ —		$ 0.16
Weighted-average number of common shares					
Basic	4,938,259	—	—		4,938,259
Diluted	52,256,732	—	—		52,256,732

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

1. Description of Transaction and Basis of Presentation

Description of Transaction

On July 8, 2019 (the "Closing Date"), Lineal Star Holdings, LLC's ("Lineal's") securities were acquired by Camber Energy, Inc., a Nevada corporation ("Camber" or the "Company"), pursuant to the terms of an Agreement and Plan of Merger dated as of the same date (the "Plan of Merger" and the merger contemplated therein, the "Merger"), by and between Lineal, Camber, Camber Energy Merger Sub 2, Inc., Camber's wholly-owned subsidiary ("Merger Sub"), and the Members of Lineal (the "Lineal Members"). Pursuant to the Plan of Merger, Camber acquired 100% of the ownership of Lineal from the Lineal Members in consideration for newly issued shares of Series E Redeemable Convertible Preferred Stock ("Series E Preferred Stock") and Series F Redeemable Preferred Stock ("Series F Preferred Stock").

The Plan of Merger contained certain post-closing requirements. Those include:

? Requiring the Company to prepare and file a proxy statement on Schedule 14A with the Securities and Exchange Commission ("SEC") in order to seek shareholder approval of the issuance of the shares of common stock upon conversion of the Series E Preferred Stock, the terms of the Plan of Merger and such other matters that the holders of the Series E Preferred Stock may reasonably request and/or that are required to be approved by the shareholders of Company pursuant to applicable NYSE American rules and regulations in accordance with applicable rules and requirements of the SEC and the NYSE American (the "Shareholder Approval" and the date of such Shareholder Approval, the "Shareholder Approval Date") at a duly called meeting of shareholders of the Company (the "Shareholder Meeting") which Shareholder Approval shall be received prior to November 22, 2019, or if a Lineal Transaction (defined below) has not occurred prior to September 23, 2019, a date which is 60 days after the closing of a Lineal Transaction, or such other later date which is approved by the Company and a majority in interest of the Series E Preferred Stock (a "Majority Interest"). "Lineal Transaction" means an acquisition by Lineal of assets or securities which results in the Company, immediately after such acquisition, being able to meet the initial listing requirements of the NYSE American.

? Notwithstanding the above, the Shareholder Approval is not to be received, and the Shareholder Meeting shall be adjourned, extended, delayed, abandoned or re-scheduled, if the NYSE American determines that a "back-door listing"/"reverse merger" is deemed to occur upon receipt of such Shareholder Approval, until or unless the Company, upon receipt of the Shareholder Approval (or immediately prior to such anticipated date of Shareholder Approval), in the reasonable determination of the Company, qualifies for initial listing of the Company's common stock on the NYSE American, pursuant to the applicable guidance and requirements of the NYSE American.

? After the Closing Date, until the Shareholder Approval is received, the executive officers and directors of Company, shall not, in aggregate, be paid, or accrue, compensation in excess of $78,333 per month, not including the reimbursement of certain expenses, unless such compensation is approved with the consent of a Majority Interest.

Basis of Presentation

The unaudited pro forma combined financial statements were prepared in accordance with the regulations of the SEC Regulation S-X, and are intended to show how the purchase might have affected the historical financial statements if the Merger had been completed as of March 31, 2019 for the purposes of the balance sheet and on April 1, 2018 for the purposes of the statement of operations for the year ended March 31, 2019.

Based on the terms of the purchase, the Company has preliminarily concluded the Merger represents a business combination pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 805, *Business Combinations*, or ASC 805. The Company has not completed a valuation analysis of the fair market value of the consideration transferred, Lineal's assets acquired and liabilities assumed.

Using the preliminary total consideration for the purchase, the Company has allocated the assets and liabilities acquired. This purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma combined balance sheet. The pro forma adjustments are preliminary and based on management's estimates of the fair value of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the purchase. These estimates are based on the most recently available information. To the extent there are material differences upon completion of the final purchase price allocation, the assumptions and estimates set forth in the unaudited pro forma combined financial statements could change significantly. The Company expects to recognize acquired intangible assets related to customer relationships once fair value determinations are completed.

2. Preliminary Purchase Price

The total preliminary consideration for the acquisition, consummated on July 8, 2019, was $20,000,000, as agreed by the parties. The Company issued preferred stock to the members of Lineal with terms as follows:

As a result of the Merger, (a) each outstanding common share of Lineal (the "Lineal Common Shares") issued and outstanding immediately prior to the effective time of the Merger (the "Effective Time") was converted into 0.95 shares of newly designated Series E Preferred Stock (i.e., into an aggregate of 950,000 shares of Series E Preferred Stock); and (b) (i) 1,140,000 preferred shares of Lineal ("Lineal Preferred Shares") issued and outstanding prior to the Effective Time, were converted into 50,000 shares of Series E Preferred Stock; and (ii) 535,000 Lineal Preferred Shares, issued and outstanding immediately prior to the Effective Time, were converted into 16,750 shares of newly designated Series F Preferred Stock. The Company issued to the members of Lineal a total of 1,000,000 shares of Series E Preferred Stock ("Series E Shares") and 16,750 shares of Series F Preferred Stock ("Series F Shares"), pursuant to the Plan of Merger. The Series E and F Preferred Stock have the following rights and privileges:

Series E Redeemable Convertible Preferred Stock

The designation of the Series E Preferred Stock ("Series E Designation"), which was approved by the Board of Directors of the Company on July 2, 2019, and filed by the Company with the Secretary of State of Nevada on July 3, 2019, designates one million shares of Series E Preferred Stock, $0.001 par value per share of the Company. The Series E Preferred Stock has the following rights:

Dividend Rights. The Series E Preferred Stock does not accrue any dividends, provided that, subject to the rights of the holders, if any, of any shares of the Series C Preferred Stock, Series D Preferred Stock, Series F Preferred Stock or other securities senior to or pari passu with, the Series E Preferred Stock, the holders of Series E Preferred Stock are entitled to such dividends paid and distributions made to the holders of common stock to the same extent as if such holders had converted the Series E Preferred Stock into common stock at the Conversion Rate (described below under "Conversion Rights") (without regard to any limitations on conversion herein or elsewhere) and had held such shares of common stock on the record date for such dividends and distributions.

Liquidation Preference. In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary (each a "Liquidation Event"), the holders of Series E Preferred Stock are entitled to receive prior to the holders of the Company's other security holders, except in the case of the Series C Preferred Stock, which is junior in ranking only to the first distributions up until $2,000 per share of Series E Preferred Stock (the original issue price per share), and the Series F Preferred Stock, the Company's capital leases as may be in place from time to time and other senior debt approved by a Majority Interest, and then is entitled to pari passu ranking, and pro rata with the holders of the Company's Series D Preferred Stock, an amount per share for each share of Series E Preferred Stock held by them equal to the greater of (a) $2,000 per share and (b) the amount of cash that would have been received had such share of Series E Preferred Stock been converted into common stock immediately prior to such Liquidation Event based on the Conversion Rate.

Conversion Rights. Each share of Series E Preferred Stock is convertible, at the option of the holder thereof, at any time following the Approval Date, into that number of shares of common stock as equal the Conversion Rate. For the purposes of the following sentence:

? "Approval Date" means the later of (a) the first business day after the date that all of the requirements of Shareholder Approval are met; and (b) the business day that the Company has affected a reverse stock split of its outstanding common stock subsequent to the Shareholder Approval, to the extent such reverse stock split is deemed necessary by a Majority Interest in writing prior to the date of Shareholder Approval.

? "Conversion Rate" means that number of shares of common stock as equals 67% of the Company's fully-diluted shares (including all common stock and all shares of common stock issuable upon conversion of the Series D Preferred Stock)(" Fully-Diluted Shares"), unless (a) the 30-day average trading price of the Company's common stock, as calculated pursuant to applicable NYSE American rules and requirements, following the Shareholder Approval date is below $0.20 per share (which value is not subject to adjustment in connection with any recapitalizations or splits); or (b) the failure of the Company, on the date that the Company's shareholders have approved the transactions contemplated by the Plan of Merger and the issuance of shares of common stock upon the conversion of the Series E Preferred Stock, or the first business day immediately following such date, to meet the listing standards for the listing of the Company's common stock on the NYSE American, at which time the applicable percentage shall be 70% of the Fully-Diluted Shares (the "3% Increase"), in each case divided by the 1,000,000 shares of Series E Preferred Stock issued in connection with the Merger.

Voting Rights. Except as otherwise expressly provided in the Series E Designation, the holders of Series E Preferred Stock and common stock vote together as a single class and not as separate classes. Each outstanding share of Series E Preferred Stock is entitled to vote a number of voting shares equal to the Voting Shares on all shareholder matters to come before the shareholders of the Company (whether at a meeting of the shareholders of the Company, by written action of shareholders in lieu of a meeting or otherwise) (the "Voting Rights"); provided that the Voting Rights shall not apply, and the holders shall not be allowed to vote on, the Shareholder Approval. "Voting Shares" means (i) 18.9% of the total shares of common stock issued and outstanding on the date the Plan of Merger was agreed to by the parties, prior to the Approval Date; and (b) 76.0% of the Company's total voting shares on, and following, the Approval Date, divided by the 1 million shares of Series E Preferred Stock issued in connection with the Plan of Merger.

Additionally, for so long as the outstanding Series E Preferred Stock shares have the right to vote at least 5% of the Company's total voting shares, the Series E Preferred Stock, voting as a group, have the right to (a) appoint one member to the Company's Board of Directors; (b) appoint four (4) members of Lineal's Board of Directors (i.e., the managers of Lineal) (prior to Shareholder Approval); and one (1) member to Lineal's Board of Directors (subsequent to Shareholder Approval), provided that unless approved by a Majority Interest, the Board of Directors of Lineal shall have no more than five (5) members; (c) nominate an individual to serve as the Chief Operating Officer of the Company ("COO"); and (d) nominate individuals to serve as the executive officers of Lineal.

Until the earlier of (a) the fifth (5^{th}) anniversary of the Closing Date; and (b) the date that 5% or less of the 1 million shares of Series E Preferred Stock issued in connection with the Merger are outstanding (the "Protective Provision Termination Date"), the Company is not authorized to affect any Material Asset Transfer or change of control, as described in the Series E Designation (collectively, a " Material Transaction"), without the consent of a Majority Interest. "Material Asset Transfer" means (i) the sale, license, distribution or transfer, of more than 20% of the assets of (a) the Company; or (b) Lineal, in a single transaction or a series of related transactions, subject to certain exceptions; or (ii) the merger, consolidation or reorganization of the Company or Lineal with another corporation, partnership or other entity and as a result of such merger, consolidation or reorganization less than 50% of the outstanding voting securities of the surviving or resulting corporation, partnership or other entity shall be owned in the aggregate by the shareholders of the Company (as to the Company) or the Company (as to Lineal), as determined immediately prior to the consummation of such merger, consolidation or reorganization.

Additionally, until the Protective Provision Termination Date, the Company shall not, without first obtaining the approval of a Majority Interest: (a) issue any shares of Preferred Stock, other than as contemplated by the Plan of Merger; issue any Lineal Common Shares or Lineal Preferred Shares; or (c) issue any shares of common stock or convertible securities, except for: (i) shares of common stock issued upon conversion of the Series F Preferred Stock; (ii) shares of common stock issued upon conversion of the Series C Preferred Stock and Series D Preferred Stock, or as otherwise provided for in the Series C Designation or Series D Designation; (iv) shares of Series D Preferred Stock pursuant to the Exchange Agreement; (v) shares of common stock issuable pursuant to the terms of agreements or understandings which were in place as of the Closing Date, and which have not been amended, modified or revised after such Closing Date, except to make such terms more favorable to the Company; and (vi) shares of common stock issuable upon the exercise of options or upon the conversion or exchange of convertible securities, outstanding as of the Closing Date, in each case provided such issuance is pursuant to the terms of such option or convertible security as was in effect as of the Closing Date, except to the extent such terms are amended or revised to make such terms more favorable to the Company.

The Series E Designation also provides the Series E Preferred Stock holders customary protective provisions requiring the consent of the Series E Preferred Stock holders for certain matters, including amending Lineal's Company Agreement, which would adversely affect the rights of the Series E Preferred Stock holders and/or the Series E Preferred Stock.

Redemption Rights. The holders of the Series E Preferred Stock, with the consent of a Majority Interest, have the option, exercisable from time to time after November 22, 2019, or if a Lineal Transaction (as described and defined above under Note 1), has not occurred prior to September 23, 2019, a date which is 60 days after the closing of a Lineal Transaction, or such other later date which is approved by the Company and a Majority Interest, provided that the Shareholder Approval has not been received by such date, to require that the Company redeem shares of the outstanding Series E Preferred Stock (a "Redemption"). Each Redemption shall be on a one-for-one basis between Series E Preferred Stock and Lineal Common Shares and shall be subject to applicable law. No redemption of the Series E Preferred Stock is allowed unless there is a pro rata redemption of the Series F Preferred Stock. In the event the Series E Preferred Stock was fully-redeemed, the Series E Preferred holders and Series F Preferred Stock holders would be able to re-acquire 100% of the securities of Lineal.

Series F Redeemable Preferred Stock

The designation of the Series F Preferred Stock (the "Series F Designation"), which was approved by the Board of Directors of the Company on July 2, 2019, and filed by the Company with the Secretary of State of Nevada on July 3, 2019, designates 16,750 shares of Series F Preferred Stock, $0.001 par value per share of the Company. The Series F Preferred Stock has the following rights:

Dividend Rights. Dividends accrue on the Series F Preferred Stock at the end of each calendar quarter, beginning at the end of the first calendar quarter following the Closing Date, based on a price per share of Series F Preferred Stock of $100, at the rate of 8% per annum, until such Series F Preferred Stock is no longer outstanding ("Dividends" and once accrued "Accrued Dividends"). If the Company is prohibited from paying the Accrued Dividends in cash pursuant to applicable law, such Accrued Dividends shall continue to accrue until such time as the Company is legally able to pay such Accrued Dividends, during which period such Accrued Dividends shall accrue interest, compounded monthly, at the end of each month that such Accrued Dividends remain unpaid, at 12% per annum.

Liquidation Preference. In the event of a Liquidation Event, the holders of Series F Preferred Stock are entitled to receive prior to the holders of the Company's securities other than the Series D Preferred Stock, and pro rata with the holders of the Series D Preferred Stock, but not prior to any holders of the Company's senior securities (as described in the designation), an amount per share for each share of Series F Preferred Stock held by them equal to $100, then, after any distributions to any other shares of preferred stock, the holders are entitled to eight percent (8%) of any remaining assets left for distribution to the holders of the common stock.

Conversion Rights. The Series F Preferred Stock have no conversion rights.

Voting Rights. Except as otherwise provided in the Series F Designation or as required by law, the holders of Series E Preferred Stock and the holders of common stock shall vote together as a single class and not as separate classes. Each outstanding share of Series F Preferred Stock is entitled to vote a number of voting shares equal to (i) 1% of the total shares of common stock issued and outstanding on the date the Plan of Merger was agreed to by the parties, prior to the Approval Date; and (b) 4% of the Company's total voting shares on the Approval Date, divided by the 16,750 shares of Series F Preferred Stock issued in connection with the Plan of Merger; provided that the Series F Preferred Stock shall not be allowed to vote on the Shareholder Approval.

The Series F Designation also provides the Series F Preferred Stock holders customary protective provisions requiring the consent of the Series F Preferred Stock holders for certain matters, including amending the Lineal Company Agreement, which would adversely affect the rights of the Series F Preferred Stock holders and/or the Series F Preferred Stock.

Until the earlier of (a) the fifth (5^{th}) anniversary of the Closing Date; (b) the date that 5% or less of the 16,750 shares of Series F Preferred Stock issued in connection with the Merger are outstanding, the Company is not authorized to affect any Material Transaction without the consent of a majority in interest of the Series F Preferred Stock holders.

Redemption Rights. The holders of the Series F Preferred Stock have the option, exercisable from time to time after: (a) in the event Shareholder Approval has not been received by November 22, 2019, or if a Lineal Transaction (as described and defined above under Note 1), has not occurred prior to September 23, 2019, a date which is 60 days after the closing of a Lineal Transaction, or such other later date which is approved by the Company and a majority in interest of the holders of the Series F Preferred Stock, or (b) if Shareholder Approval has been received, then only after the date following the Closing Date when the Company has received net proceeds from the issuance of equity securities of at least $6,750,000, to require that the Company redeem all or any portion of the outstanding shares of Series F Preferred Stock for cash, by requiring the Company pay each applicable holder, an amount equal to $100 per Series F Preferred Stock share multiplied by the number of Series F Preferred Stock shares held by each applicable holder, subject to redemption. In the event the Company is prohibited from completing a redemption due to applicable law, the Company is required to redeem that number of shares of Series F Preferred Stock which is able to be redeemed under applicable law.

Additionally, concurrently with any Series E Preferred Stock redemption (discussed above under the description of the Series E Preferred Stock), the holders of the Series F Preferred Stock are required to redeem the pro rata portion of Series F Preferred Stock for shares of Lineal's Preferred Stock, with each share of Series F Preferred Stock being redeemed in consideration for 100 shares of Lineal Preferred Stock.

The allocation of the preliminary purchase price to the tangible assets and liabilities acquired from the Merger is based on the current values of the assets and liabilities on Lineal as of the Merger date on July 8, 2019 and are as follows:

Cash	$	308,038
Accounts receivable		1,925,314
Deferred tax assets		34,000
Goodwill		17,493,846
Costs in Excess of Billings		1,811,209
Fixed assets		941,310
Other current assets and deposits		71,372
Accounts payable - trade		(363,473)
Accrued and other liabilities		(687,732)
Billings in excess of costs		(57,936)
Notes payable		(1,475,948)
Total	$	20,000,000

The total purchase price is allocated to the acquired tangible and intangible assets and liabilities of Lineal based on their estimated fair values as of the purchase closing date. The excess of the purchase price over the fair value of assets and liabilities acquired, if any, is allocated to goodwill. The purchase price allocation above is preliminary, as the Company has not completed the assessment of the fair value of assets acquired, liabilities assumed and the identification of any intangible assets. The Company expects to finalize the purchase price allocation within one year of the acquisition date, which may result in material changes to the preliminary values recognized above.

3. Pro Forma Adjustments

The unaudited pro forma combined financial statements include pro forma adjustments to give effect to certain significant transactions as a direct result of the Merger.

The pro forma adjustments reflecting the completion of the purchase are based upon the preliminary accounting analysis conclusion that the Merger should be accounted for under the acquisition method of accounting.

The pro forma adjustments are as follows:

A1: To reflect acquired property and equipment and its new estimated fair value.

A2: To recognize goodwill based on the preliminary purchase price allocation.

A3: To reflect the $20,000,000 estimated fair value of consideration transferred to Lineal Members to effect the Merger.

A4: To eliminate the historical equity of Lineal.

B1: To reclassify interest expense to conform to Camber presentation.

B2: To recognize dividends on Series E Preferred Stock issued to Lineal Stockholders for the pro forma year ended March 31, 2019.

The diluted weighted average common shares for the year ended March 31, 2019 in the unaudited pro forma combined statement of operations excludes common shares that may be issued upon conversion of the Series E Preferred Stock, as the conversion of the Series E Preferred Stock is contingent upon certain events as described in Note 2 above.

4. Historical Financial Information

On July 29, 2018, the Lineal Star Holdings, LLC acquired 100% of the equity interests of Lineal Industries, Inc. The transaction was accounted for as a business combination, with Lineal Star Holdings, LLC considered the accounting acquirer of Lineal Industries, Inc. Prior to this acquisition, the Lineal Star Holdings, LLC had no significant operations. As a result of the above transactions, under Regulation S-X for reporting purposes, Lineal Industries, Inc. is viewed as a Predecessor entity for reporting purposes, and Lineal Star Holdings, LLC is viewed as a Successor entity. The basis of presentation is not consistent between the successor and predecessor entities and the financial statements are not presented on a comparable basis. As a result, the accompanying consolidated statements of operations, stockholders' equity and cash flows are presented for two different reporting entities: The Successor, which consists of the combined operations of Lineal Star Holdings, LLC and Lineal Industries, Inc. for the period from July 29, 2018 through March 31, 2019; and the Predecessor, which consists of the operations of Lineal Industries, Inc. for the period from April 1, 2018 through July 28, 2018.

For pro forma presentation purposes, the Successor and Predecessor periods are combined to present the combined results of operations of the business acquired by Camber for the year ended March 31, 2019:

	Period from July 29, 2018 through March 31, 2019 (Successor)	Period from April 1, 2018 through July 28, 2018 (Predecessor)	Combined Year Ended March 31, 2019
Contract revenue	$ 12,261,038	$ 3,634,139	$ 15,895,177
Contract costs	10,987,212	5,395,653	16,382,865
Contract loss	1,273,826	(1,761,514)	(487,688)
Expenses:			
Selling, general and administrative expenses	2,464,497	744,231	3,208,728
(Gain) loss on sale of assets	166,565	(92,659)	73,906
	2,631,062	651,572	3,282,634
Operating loss	(1,357,236)	(2,413,086)	(3,770,322)
Gain on bargain purchase	1,162,075	—	1,162,075
Other income (expense), net	54,599	396	54,995
Income (loss) before taxes	(140,562)	(2,412,690)	(2,553,252)
Provision (benefit) for income taxes	(34,000)	25,000	(9,000)
			—
Net income (loss)	$ (106,562)	$ (2,437,690)	$ (2,544,252)