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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2018

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-36541

**LIMBACH HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware, USA**  
(State or other jurisdiction of  
incorporation or organization)

**46-5399422**  
(I.R.S. Employer Identification  
No.)

**31 – 35<sup>th</sup> Street**  
**Pittsburgh, Pennsylvania**  
(Address of principal executive offices)

**15201**  
(Zip Code)

**1-412-359-2100**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T K (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer (Do not check if a smaller reporting company)   
Smaller reporting company  Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 14, 2018, there were 7,542,249 shares of the registrant's common stock, \$0.0001 par value per share, outstanding.

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LIMBACH HOLDINGS, INC.

Form 10-Q

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Part I

Item 1. Financial Statements

LIMBACH HOLDINGS, INC.  
Condensed Consolidated Balance Sheets

	March 31, 2018 (Unaudited)	December 31, 2017
<i>(in thousands, except share and per share data)</i>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 375	\$ 626
Restricted cash	113	113
Accounts receivable, net	126,843	129,343
Costs and estimated earnings in excess of billings on uncompleted contracts	29,969	33,006
Other current assets	4,300	3,172
<b>Total current assets</b>	<u>161,600</u>	<u>166,260</u>
Property and equipment, net of accumulated depreciation of \$8.8 million and \$7.8 million at March 31, 2018 and December 31, 2017, respectively	18,320	17,918
Intangible assets, net	13,890	14,225
Goodwill	10,488	10,488
Deferred tax asset	4,707	3,664
Other assets	493	465
<b>Total assets</b>	<u>\$ 209,498</u>	<u>\$ 213,020</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 7,301	\$ 6,358
Accounts payable, including retainage	62,077	67,438
Billings in excess of costs and estimated earnings on uncompleted contracts	31,181	28,543
Accrued income taxes	2,088	2,220
Accrued expenses and other current liabilities	26,528	30,925
<b>Total current liabilities</b>	<u>129,175</u>	<u>135,484</u>
Long-term debt	35,188	20,556
Other long-term liabilities	1,038	861
<b>Total liabilities</b>	<u>165,401</u>	<u>156,901</u>
Commitments and contingencies (Note 14)		
Redeemable convertible preferred stock, net, par value \$0.0001, 1,000,000 shares authorized, no shares issued and outstanding at March 31, 2018 and 280,000 issued and outstanding at December 31, 2017, respectively (\$7,853 redemption value at December 31, 2017)	-	7,959
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.0001 par value; 100,000,000 shares authorized, 7,542,249 issued and outstanding at March 31, 2018 and 7,504,133 at December 31, 2017	1	1
Additional paid-in capital	53,099	54,738
Accumulated deficit	(9,003)	(6,579)
<b>Total stockholders' equity</b>	<u>44,097</u>	<u>48,160</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 209,498</u>	<u>\$ 213,020</u>

The Accompanying Notes are an Integral Part of these Condensed Consolidated Financial Statements

**LIMBACH HOLDINGS, INC.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
<i>(in thousands, except share and per share data)</i>		
Revenue	\$ 120,549	\$ 115,190
Cost of revenue	107,262	101,421
Gross profit	13,287	13,769
Operating expenses:		
Selling, general and administrative expense	15,666	14,567
Amortization of intangibles	335	1,008
Total operating expenses	16,001	15,575
Operating loss	(2,714)	(1,806)
Other income (expenses):		
Interest expense, net	(769)	(454)
Gain (loss) on disposition of property and equipment	16	(37)
Total other expenses	(753)	(491)
Loss before income taxes	(3,467)	(2,297)
Income tax benefit	(1,043)	(1,083)
Net loss	(2,424)	(1,214)
Dividends on cumulative redeemable convertible preferred stock	(113)	238
Premium paid on redemption of redeemable convertible preferred stock	2,219	-
Net loss attributable to Limbach Holdings, Inc. common stockholders	\$ (4,530)	\$ (1,452)
<u>Earnings Per Share ("EPS")</u>		
Basic loss per share for common stock:		
Net loss attributable to Limbach Holdings, Inc. common stockholders	\$ (0.60)	\$ (0.19)
Diluted loss per share for common stock:		
Net loss attributable to Limbach Holdings, Inc. common stockholders	\$ (0.60)	\$ (0.19)
Weighted average number of shares outstanding:		
Basic	7,541,422	7,454,491
Diluted	7,541,422	7,454,491

The Accompanying Notes are an Integral Part of these Condensed Consolidated Financial Statements

**LIMBACH HOLDINGS, INC.**  
**Condensed Consolidated Statement of Stockholders' Equity**  
**(Unaudited)**

<i>(in thousands, except share amounts)</i>	Common Stock		Additional paid-in capital	Accumulated deficit	Stockholders' equity
	Number of shares outstanding	Par value amount			
Balance at December 31, 2017	7,504,133	\$ 1	\$ 54,738	\$ (6,579)	\$ 48,160
Dividends on redeemable convertible preferred stock	-	-	113	-	113
Premium paid on redemption of redeemable convertible preferred stock	-	-	(2,219)	-	(2,219)
Stock-based compensation	27,489	-	467	-	467
Exercise of warrants	10,627	-	-	-	-
Net loss	-	-	-	(2,424)	(2,424)
Balance at March 31, 2018	7,542,249	\$ 1	\$ 53,099	\$ (9,003)	\$ 44,097

The Accompanying Notes are an Integral Part of these Condensed Consolidated Financial Statements

**LIMBACH HOLDINGS, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

<i>(in thousands)</i>	<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Cash flows from operating activities:		
Net loss	\$ (2,424)	\$ (1,214)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	1,371	2,646
Allowance for doubtful accounts	20	266
Stock-based compensation expense	467	-
Amortization of debt issuance costs	68	45
Deferred income tax benefit	(1,043)	(1,083)
Accretion of preferred stock discount to redemption value	-	2
(Gain) loss on sale of property and equipment	(16)	37
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	2,481	6,231
(Increase) decrease in costs and estimated earnings in excess of billings on uncompleted contracts	3,037	2,237
(Increase) decrease in other current assets	(1,129)	(573)
(Increase) decrease in other assets	(210)	-
Increase (decrease) in accounts payable	(5,362)	(3,197)
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	2,639	(5,075)
Increase (decrease) in accrued taxes	(134)	-
Increase (decrease) in accrued expenses and other current liabilities	(16)	(4,955)
Increase (decrease) in other long-term liabilities	177	(94)
Net cash used in operating activities	<u>(74)</u>	<u>(4,727)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	71	7
Decrease (increase) in advances to joint ventures	1	-
Purchase of property and equipment	(775)	(630)
Net cash used in investing activities	<u>(703)</u>	<u>(623)</u>
Cash flows from financing activities:		
Increase (decrease) in bank overdrafts	(4,299)	-
Payments on Credit Agreement term loan	(750)	(750)
Proceeds from Credit Agreement revolver	41,296	13,034
Payments on Credit Agreement revolver	(34,849)	(7,034)
Payments on term loan	-	(20)
Proceeds from Bridge Term Loan	10,000	-
Payments on Bridge Term Loan	(250)	-
Payments on financed insurance premium	-	(591)
Payments on capital leases	(475)	(404)
Convertible preferred stock redeemed	(9,191)	-
Convertible preferred stock dividends paid	(875)	-
Taxes paid related to net-share settlement of equity awards	(81)	-
Net cash provided by financing activities	<u>526</u>	<u>4,235</u>
Decrease in cash and cash equivalents	(251)	(1,115)
Cash and cash equivalents, beginning of period	626	7,406
Cash and cash equivalents, end of period	<u>\$ 375</u>	<u>\$ 6,291</u>
<b>Supplemental disclosures of cash flow information</b>		
Noncash investing and financing transactions:		
Property and equipment acquired financed with capital leases	\$ 718	\$ 393
Interest paid	\$ 729	\$ 409
Financed insurance premium	\$ -	\$ 2,135

The Accompanying Notes are an Integral Part of these Condensed Consolidated Financial Statements

**LIMBACH HOLDINGS, INC.**  
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Note 1 – Organization and Plan of Business Operations**

Limbach Holdings, Inc. (the “Company”) is a Delaware corporation headquartered in Pittsburgh, Pennsylvania. The Company’s Condensed Consolidated Financial Statements include the accounts of Limbach Holdings, Inc. and its wholly owned subsidiaries, including Limbach Holdings LLC (“LHLLC”), Limbach Facility Services LLC, Limbach Company LLC, Limbach Company LP, Harper Limbach LLC and Harper Limbach Construction LLC.

We operate our business in two segments, (i) Construction, in which we generally manage large construction or renovation projects that involve primarily HVAC, plumbing or electrical services, and (ii) Service, in which we provide maintenance or service primarily on HVAC, plumbing or electrical systems. This work is primarily performed under fixed price, modified fixed price, and time and material contracts over periods of typically less than two years. The Company’s customers operate in several different industries, including healthcare, education, government, commercial, manufacturing, mission critical, entertainment, and leisure. The Company operates primarily in the Northeast, Mid-Atlantic, Southeast, Midwest, and Southwestern regions of the United States.

The Company was originally incorporated as a special purpose acquisition company, formed for the purpose of effecting a merger, equity interest exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. On July 20, 2016, the Company consummated a business combination (“Business Combination”) whereby it acquired all of the outstanding equity of LHLLC. In connection with the closing of the Business Combination, the Company changed its name from 1347 Capital Corp. (“1347 Capital”) to Limbach Holdings, Inc.

**Emerging Growth Company**

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company’s financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

**Note 2 – Significant Accounting Policies**

**Basis of Presentation**

*Condensed Financial Statements*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to the Quarterly Report on Form 10-Q and Rule 8-03 of Regulation S-X for smaller reporting companies. Consequently, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. Readers of this report should refer to the consolidated financial statements and the notes thereto included in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on April 2, 2018.

**Unaudited Interim Financial Information**

The accompanying interim Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statement of Stockholders’ Equity and the Condensed Consolidated Statements of Cash Flows for the periods presented are unaudited. Also, within the notes to the Condensed Consolidated Financial Statements, we have included unaudited information for these interim periods. These unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with GAAP.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of a normal recurring nature) necessary for a fair statement of the Company's financial position as of March 31, 2018, and its results of operations and its cash flows for the periods presented. The results for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for the year ending December 31, 2018.

The Condensed Consolidated Balance Sheet as of December 31, 2017 was derived from our audited financial statements filed with the SEC on April 2, 2018, but is presented as condensed and does not contain all of the footnote disclosures from the annual financial statements.

### **Revenues and Cost Recognition**

Revenues from construction fixed price and modified fixed price contracts are recognized on the percentage-of-completion method, measured by the relationship of total cost incurred to total estimated contract costs (cost-to-cost method). Contract revenue for long-term construction contracts is based upon management's estimate of contract values at completion, including revenue for additional work on which the contract value has not been finalized (claims and unapproved change orders) but is considered probable. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements, may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined.

Provisions for estimated losses on uncompleted contracts are recognized in the period in which such losses are determined. Contract costs include direct labor, material, and subcontractor costs, and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, depreciation, and insurance. Total estimated contract costs are based upon management's current estimate of total costs at completion.

There are two basic types of service contracts: fixed price service contracts which are signed in advance for maintenance, repair, and retrofit work over a period of typically one year, and service contracts not signed in advance for similar maintenance, repair, and retrofit work performed on an as-needed basis. Fixed price service contracts are generally performed evenly over the contract period, and accordingly, revenue is recognized on a pro rata basis over the life of the contract. Revenues derived from other service contracts are recognized when the services are performed. Expenses related to all service contracts are recognized as services are provided.

Costs and estimated earnings in excess of billings on uncompleted contracts reflected in the Condensed Consolidated Financial Statements arise when revenues have been recognized but the amounts cannot be billed under the terms of the contracts. Also included in costs and estimated earnings on uncompleted contracts are amounts the Company seeks or will seek to collect from customers or others for errors or changes in contract specifications or design, contract change orders in dispute or unapproved as to scope and price, or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Such amounts are recorded at estimated net realizable value when realization is probable and can be reasonably estimated. No profit is recognized on the construction costs incurred in connection with claim amounts. Claims and unapproved change orders made by the Company may involve negotiation and, in rare cases, litigation. Claims and unapproved change orders involve the use of estimates, and it is reasonably possible that revisions to the estimated recoverable amounts of recorded claims and unapproved change orders may be made in the near term. Claims against the Company are recognized when a loss is considered probable and amounts are reasonably determinable. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of revenues recognized.

In accordance with industry practice, we classify as current all assets and liabilities relating to the performance of contracts. The terms of our contracts generally range from six months to two years.

Selling, general, and administrative costs are charged to expense as incurred. Bidding and proposal costs are also recognized as an expense in the period in which such amounts are incurred.

### **Note 3 – Accounting Standards**

#### *Recent Accounting Pronouncements*

The effective dates shown in the following pronouncements are private company effective dates, based upon the Company's election to conform to private company effective dates based on the relief provided to Emerging Growth Companies ("EGC") under the JOBS Act.



In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers—Topic 606,” which supersedes the revenue recognition requirements in FASB Accounting Standard Codification (“ASC”) 605. The new guidance established principles for reporting revenue and cash flows arising from an entity’s contracts with customers. This new revenue recognition standard will replace all of the recognition guidance within GAAP. This guidance was deferred by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the effective date, issued by the FASB in August 2015, which deferred the effective date of ASU 2014-09 from annual and interim periods beginning after December 15, 2017 to annual and interim periods beginning after December 15, 2018. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations, which further clarifies the implementation guidance in ASU 2014-09. In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, to expand the guidance on identifying performance obligations and licensing within ASU 2014-09. In May 2016, the FASB issued ASU 2016-12, Revenues from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients, which amends the guidance in the new revenue standard on collectability, noncash consideration, presentation of sales tax, and transition. The amendments are intended to address implementation issues that were raised by stakeholders and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. The guidance can be applied on a full retrospective or modified retrospective basis whereby the entity records a cumulative effect of initially applying this update at the date of initial application. In December 2016, the FASB issued ASU 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers” intended to clarify the codification or to correct unintended application of the guidance which clarifies the definition of loan guarantee fees, what should be considered in contract costs impairment testing, a requirement that provisions for losses on construction-type and production-type contracts be determined at the least at the contract level, exclusion of insurance contracts from scope, specific disclosures regarding remaining performance obligations, disclosure of prior-period performance obligations and gives an example of contract modifications. These standards are required to be implemented by the Company for its fiscal year beginning January 1, 2019, including interim periods within that reporting period. In the third quarter of 2017, we initiated a request for proposal to identify a firm to assist the Company in evaluating the impact of this new standard. During the first quarter of 2018, we selected our service provider and commenced a process to evaluate the impact of the new pronouncement on our contracts, including identifying potential differences that would result from applying the requirements of the new guidance. We have made progress in reviewing our various types of revenue arrangements and expect to be substantially complete with such review in the second quarter of 2018. The guidance permits the use of one of two retrospective transition methods. We anticipate adopting the standard on January 1, 2019 using the modified retrospective method. The impact on our consolidated financial statements upon adoption of ASU 2014-09 will be determined in large part by the contracts in progress on our adoption date. As we have not yet concluded our review of the various types of revenue arrangements, we are unable to estimate the impact of this standard’s adoption on the Condensed Consolidated Financial Statements.

In February 2016, FASB issued ASU No. 2016-02, “Leases (Topic 842),” ASU 2016-02 provides an approach for classifying leases as either finance leases or operating leases. For either classification, a right-of-use asset and a lease liability will be required to be recognized, unless the term of the lease is one year or less. The guidance is required to be applied using a modified retrospective approach which includes optional practical expedients. In January 2018, FASB issued ASU No. 2018-01, “Leases (Topic 842),” that clarified the standard by providing a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840. These standards are effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Earlier application is permitted. Management has not yet commenced its analysis of these standards and therefore cannot estimate the impact of their adoption on the Condensed Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows: Restricted Cash” to address diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2018, and for interim periods beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The amendments should be applied using a retrospective transition method to each period presented. When adopted, this standard is expected to have no material impact on the Condensed Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business” to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments provide a screen to determine when a set of assets and activities is not a business. If the screen is not met, the amendments require further consideration of inputs, substantive processes and outputs to determine whether the transaction is an acquisition of a business. This guidance is effective for financial statements issued for annual periods beginning after December 15, 2018, and for interim periods within annual periods beginning after December 15, 2019. The amendments in this update are to be applied prospectively on or after the effective date. Management is currently evaluating this standard to determine the impact on the Condensed Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles–Goodwill and Other - Simplifying the Test for Goodwill Impairment” to address the cost and complexity of the goodwill impairment test which resulted in the elimination of Step 2 from the goodwill impairment test. Step 2 measured a goodwill impairment loss by comparing the implied fair value of goodwill by assigning fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Rather, the Company would be required to do its annual and interim goodwill impairment tests by comparing the fair value of the reporting unit with its carrying amount and to recognize an impairment charge for the amount by which the carrying amount is greater than the reporting unit’s fair value, not to exceed the total amount of goodwill allocated to that reporting unit. Income tax effects measuring the goodwill impairment loss, if applicable, from any tax deductible goodwill on the carrying amount on the reporting unit should also be considered. The guidance is effective for financial statements issued for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The amendments in this Update are to be applied on a prospective basis. Management expects to adopt this standard in the fourth quarter of 2018 when the Company performs its annual impairment testing. The adoption of this standard is expected to have no material impact on the Condensed Consolidated Financial Statements.

On May 10, 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation: Scope of Modification Accounting (“ASU 2017-09”). The amendments included in ASU 2017-09 provide guidance about which changes to the terms and conditions of a share-based payment award require an entity to apply modification accounting. The amendments in this update will be applied prospectively to an award modified on or after the adoption date. On January 1, 2018, the Company adopted the provisions of ASU 2017-09 and the adoption did not have an impact on the Condensed Consolidated Financial Statements.

#### Note 4 – Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable and the allowance for uncollectible accounts are comprised of the following:

<i>(in thousands)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Accounts receivable	\$ 100,675	\$ 103,506
Retainage	26,404	26,070
Allowance for doubtful accounts	(236)	(233)
Accounts receivable, net	<u>\$ 126,843</u>	<u>\$ 129,343</u>

#### Note 5 – Contracts in Progress

<i>(in thousands)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Revenue earned on uncompleted contracts	\$ 571,474	\$ 557,164
Less: Billings to date	(572,686)	(552,701)
Net underbilling (overbilling)	<u>\$ (1,212)</u>	<u>4,463</u>

The above is reflected in the accompanying Condensed Consolidated Balance Sheets as follows:

Costs and estimated earnings in excess of billing on uncompleted contracts	\$ 29,969	\$ 33,006
Billings in excess of costs and estimated earnings on uncompleted contracts	(31,181)	(28,543)
Net underbilling (overbilling)	<u>\$ (1,212)</u>	<u>\$ 4,463</u>

Accounts payable includes retainage due to subcontractors totaling \$11.5 million and \$11.1 million as of March 31, 2018 and December 31, 2017, respectively.

The Company has asserted claims and may have unapproved change orders on certain construction projects. These occur typically as a result of scope changes and project delays. Management continually evaluates these items and estimates the recoverable amounts and, if significant, these recoverability estimates are evaluated to determine the net realizable value. If additional amounts are recovered, additional contract revenue would be recognized.

For the three months ended March 31, 2018, we recorded revisions in our contract estimates for five construction projects resulting in gross profit write downs totaling \$3.7 million, as well as a single service project write down totaling \$0.9 million. The Company is evaluating potential recovery options for some of the write downs recognized in the three months ended March 31, 2018, but is not currently in a position to recognize any potential recoveries in its financial statements. We also recorded revisions in our contract estimates on four construction projects resulting in gross profit write ups totaling \$1.5 million for the three months ended March 31, 2018.

## Note 6 – Goodwill and Intangibles

Goodwill and intangible assets are comprised of the following:

<i>(in thousands)</i>	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net intangible assets, excluding goodwill</b>
<b>March 31, 2018</b>			
Amortized intangible assets:			
Backlog – Construction	\$ 4,830	\$ (4,466)	\$ 364
Customer Relationships – Service	4,710	(1,558)	3,152
Favorable Leasehold Interests	530	(116)	414
Total amortized intangible assets	<u>10,070</u>	<u>(6,140)</u>	<u>3,930</u>
Unamortized intangible assets:			
Trade Name	9,960	-	9,960
Total unamortized intangible assets	<u>9,960</u>	<u>-</u>	<u>9,960</u>
Total amortized and unamortized assets, excluding goodwill	<u>\$ 20,030</u>	<u>\$ (6,140)</u>	<u>\$ 13,890</u>
Goodwill	<u>\$ 10,488</u>	<u>\$ -</u>	<u>\$ 10,488</u>

<i>(in thousands)</i>	<b>Gross carrying amount</b>	<b>Accumulated amortization</b>	<b>Net intangible assets, excluding goodwill</b>
<b>December 31, 2017</b>			
Amortized intangible assets:			
Backlog – Construction	\$ 4,830	\$ (4,347)	\$ 483
Backlog – Service	880	(880)	-
Customer Relationships – Service	4,710	(1,359)	3,351
Favorable Leasehold Interests	530	(99)	431
Total amortized intangible assets	<u>10,950</u>	<u>(6,685)</u>	<u>4,265</u>
Unamortized intangible assets:			
Trade Name	9,960	-	9,960
Total unamortized intangible assets	<u>9,960</u>	<u>-</u>	<u>9,960</u>
Total amortized and unamortized assets, excluding goodwill	<u>\$ 20,910</u>	<u>\$ (6,685)</u>	<u>\$ 14,225</u>
Goodwill	<u>\$ 10,488</u>	<u>\$ -</u>	<u>\$ 10,488</u>

The definite-lived intangible assets are amortized over the period the Company expects to receive the related economic benefit, which for customer relationships is based upon estimated future net cash inflows. The Company has previously determined that its trade name has an indefinite useful life. The Limbach trade name has been in existence since the Company's founding in 1901 and therefore is an established brand within the industry.

Total amortization expense for these amortizable intangible assets was \$0.3 million for the three months ended March 31, 2018 and \$1.0 million for the three months ended March 31, 2017. The Company did not recognize any impairment charges related to definite and indefinite-lived intangible assets during the three months ended March 31, 2018 or March 31, 2017.

## Note 7 – Debt

Long-term debt consists of the following obligations as of:

<i>(in thousands)</i>	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Credit Agreement – revolver	\$ 12,105	\$ 5,658
Bridge Term Loan – term loan payable in quarterly installments of principal, plus interest through 2019	9,750	-
Credit Agreement – term loan payable in quarterly installments of principal, plus interest through 2021	16,885	17,635
Capital leases – collateralized by vehicles, payable in monthly installments of principal, plus interest ranging from 4.9% to 5.3% through 2022	4,073	3,830
Total debt	<u>42,813</u>	<u>27,123</u>
Less - Current portion	(7,301)	(6,358)
Less - Debt issuance costs	(324)	(209)
Long-term debt	<u>\$ 35,188</u>	<u>\$ 20,556</u>

## *Credit Agreement*

In 2016, a subsidiary of the Company, Limbach Facility Services LLC (“LFS”), entered into a new senior credit facility with multiple lenders (the “Credit Agreement”). The Credit Agreement consists of a \$25.0 million revolving line of credit and a \$24.0 million term loan, both with a maturity date of July 20, 2021. It is collateralized by substantially all assets of LFS and its subsidiaries. Principal payments of \$750,000 on the term loan are due quarterly through June 30, 2018. Principal payments of \$900,000 are due at the end of subsequent quarters through maturity of the loan, with any remaining amounts due at maturity. Outstanding borrowings on both the term loan and the revolving line of credit bear interest at either the Base Rate (as defined in the Credit Agreement) or LIBOR (as defined in the Credit Agreement), plus the applicable additional margin, payable monthly. At March 31, 2018, the interest rates in effect were 5.75% on the Credit Agreement term loan, 7.5% on the Credit Agreement Revolver and 7.0% on the Bridge Term Loan (as defined below).

Mandatory prepayments are required upon the occurrence of certain events, including, among other things and subject to certain exceptions, equity issuances, changes of control of the Company, certain debt issuances, assets sales and excess cash flow. Commencing with the fiscal year ended December 31, 2017, the Company was required to remit an amount equal to 50% of the excess cash flow (as defined in the Credit Agreement) of the Company, which percentage will be reduced based on the Senior Leverage Ratio (as defined therein). The Company is required to remit an excess cash flow payment of \$1.2 million, due and payable to the lenders on or before May 1, 2018. This amount was classified as current portion of long-term debt at March 31, 2018 and December 31, 2017. The Company may voluntarily prepay the loans at any time subject to the limitations set forth in the Credit Agreement.

The Credit Agreement includes restrictions on, among other things and subject to certain exceptions, the Company and its subsidiaries’ ability to incur additional indebtedness, pay dividends or make other distributions, redeem or purchase capital stock, make investments and loans and enter into certain transactions, including selling assets, engaging in mergers or acquisitions and entering into transactions with affiliates.

On January 12, 2018, LFS and LHLLC entered into the Second Amendment and Limited Waiver to the Credit Agreement (the “Second Amendment and Limited Waiver”) with the lenders party thereto and Fifth Third Bank, as administrative agent and L/C issuer. The Second Amendment and Limited Waiver provides for a new term loan under the Credit Agreement in the aggregate principal amount of \$10,000,000 (the “Bridge Term Loan”) to be used for the purpose of financing the repurchase (the “Repurchase”) of all of the Company’s remaining 280,000 shares of Class A Preferred Stock, including accrued but unpaid dividends, and the payment of certain fees and expenses associated therewith. The proceeds from the Bridge Term Loan were used to finance the Repurchase for an aggregate purchase price of \$10.0 million, including accrued but unpaid dividends of \$0.9 million, pursuant to the previously disclosed preferred stock purchase agreement, dated as of July 14, 2017, by and among the Company and 1347 Investors LLC (“1347 Investors”).

Loans under the Credit Agreement bear interest, at the Borrower’s option, at either Adjusted LIBOR (“Eurodollar”) or a base rate (“Base Rate”), in each case, plus an applicable margin. With respect to the Bridge Term Loan, from January 12, 2018 to, but excluding, the sixth month anniversary thereof, the applicable margin with respect to any Base Rate loan will be 4.00% per annum and with respect to any Eurodollar loan will be 5.00% per annum. From the six-month anniversary of January 12, 2018 to, but excluding, the 12-month anniversary thereof, the applicable margin with respect to any Base Rate loan will be 4.50% per annum and with respect to any Eurodollar loan will be 5.50% per annum. From the 12-month anniversary of January 12, 2018 and all times thereafter, the applicable margin with respect to any Base Rate loan will be 5.00% per annum and with respect to a Eurodollar loan will be 6.00% per annum.

The Borrower is required to make principal payments on the Bridge Term Loan in the amount of \$250,000 on the last business day of March, June, September and December of each year, commencing March 31, 2018. The Bridge Term Loan will mature on April 12, 2019. The Bridge Term Loan is guaranteed by the same Guarantors and secured (on a pari passu basis) by the same Collateral as the existing Loans under the Credit Agreement.

On March 21, 2018, the Company, LFS and LHLLC entered into the Third Amendment to Credit Agreement (the “Third Amendment”) with the lenders party thereto and Fifth Third Bank, as administrative agent and L/C Issuer. The Third Amendment provides for an increase in the amount that may be drawn against the Credit Agreement Revolver for the issuances of letters of credit from \$5.0 million to \$8.0 million, modifies the definition of EBITDA to include certain one-time costs and non-cash charges and joins the Company as a guarantor under the Credit Agreement and related loan documents.

The Credit Agreement requires that the Company comply with certain financial performance covenants including the following: (1) a senior leverage ratio not to exceed 2.75, (2) a fixed charge coverage ratio not less than 1.25 (1.15 at June 30, 2018) and (3) minimum tangible net worth of not less than \$8.0 million, increased by 25% of net income for the Company’s immediately prior fiscal year, if any. As of March 31, 2018, the Company’s senior leverage ratio was 3.01, which exceeded the maximum of 2.75, and its fixed charge coverage ratio was 1.33. The lender has waived the event of default arising from this noncompliance as of March 31, 2018 and lowered the fixed charge coverage ratio for June 30, 2018, while reserving its rights with respect to covenant compliance in future quarters. The Company believes that it will be in compliance with these covenants in future quarters. As a result of having obtained a waiver, management estimates no impact of this covenant violation on the Company’s financial condition and liquidity.

The equity interests of the Company's subsidiaries have been pledged as security for the obligations under the Credit Agreement. The Credit Agreement includes customary events of default, including, among other items, payment defaults, cross-defaults to other indebtedness, a change of control default and events of default with respect to certain material agreements. Additionally, with respect to the Company, an event of default occurs if the Company's securities cease to be registered with the SEC pursuant to Section 12(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). In case of an event of default, the administrative agent would be entitled to, among other things, accelerated payment of amounts due under the Credit Agreement, foreclose on the equity of the Company's subsidiaries, and exercise all rights of a secured creditor on behalf of the lenders.

The additional margin applied to both the revolver and term loan is determined based on levels achieved under the Company's senior leverage ratio covenant, which reflects the ratio of indebtedness divided by EBITDA for the most recently ended four quarters.

The following is a summary of the additional margin and commitment fees payable on the available revolving credit commitment:

<b>Level</b>	<b>Senior Leverage Ratio</b>	<b>Additional Margin for Base Rate loans</b>	<b>Additional Margin for Libor Rate loans</b>	<b>Commitment Fee</b>
I	Greater than or equal to 2.50 to 1.00	3.00%	4.00%	0.50%
II	Less than 2.50 to 1.00, but greater than or equal to 2.00 to 1.00	2.75%	3.75%	0.50%
III	Less than 2.00 to 1.00, but greater than or equal to 1.50 to 1.00	2.50%	3.50%	0.50%
IV	Less than 1.50 to 1.00	2.25%	3.25%	0.50%

The Company had \$9.3 million of availability under its revolving credit facility at March 31, 2018.

#### **Note 8 – Equity**

The Company's second amended and restated certificate of incorporation currently authorizes the issuance of 100,000,000 shares of common stock, par value \$0.0001, and 1,000,000 shares of preferred stock, par value \$0.0001.

At March 31, 2018, the Company had outstanding warrants exercisable for 4,576,799 shares of common stock, consisting of: (i) 4,600,000 warrants issued as part of units in its initial public offering, each of which is exercisable for one-half of one share of common stock at an exercise price of \$11.50 per whole share ("Public Warrants"); (ii) 198,000 warrants, each exercisable for one-half of one share of common stock at an exercise price of \$5.75 per half share (\$11.50 per whole share) ("Sponsor Warrants"); (iii) 600,000 warrants, each exercisable for one share of common stock at an exercise price of \$15.00 per share ("15 Exercise Price Warrants"); (iv) 631,119 warrants, each exercisable for one share of common stock at an exercise price of \$12.50 per share ("Merger Warrants"); and (v) 946,680 warrants, each exercisable for one share of common stock at an exercise price of \$11.50 per share ("Additional Merger Warrants"). At December 31, 2017, the Company had outstanding warrants exercisable for 4,659,472 shares of common stock.

The Public Warrants, Sponsor Warrants and 15 Exercise Price Warrants were issued under a warrant agreement dated July 15, 2014, between Continental Stock Transfer & Trust Company, as warrant agent, and the Company. The Merger Warrants and Additional Merger Warrants were issued to the sellers of LHLLC. On January 8, 2018, the Company issued 10,627 shares of common stock in connection with the cashless exercise of 49,604 Additional Merger Warrants and 33,069 Merger Warrants.

On July 21, 2014, a total of 300,000 Unit Purchase Options ("UPOs") were issued by 1347 Capital to a representative of the underwriter and its designees. In December 2016, the Company issued 121,173 shares of common stock in connection with the cashless exercise of 282,900 of these UPOs. At March 31, 2018 and December 31, 2017, a total of 17,100 UPOs were outstanding and will be exercisable, either for cash or on a cashless basis, through July 21, 2019. Each UPO consists of one share of common stock, one right to purchase one-tenth of one share of common stock and one warrant to purchase one-half of one share of common stock at an exercise price of \$11.50 per full share.

On August 30, 2017, the Compensation Committee of the Board of Directors of the Company granted an aggregate of 438,800 restricted stock units (“RSUs”) under the Limbach Holdings, Inc. Omnibus Incentive Plan to certain executive officers, non-executive employees and non-employee directors of the Company in the forms of an inaugural RSU award to executives (the “Inaugural RSU Award”), an annual long-term incentive RSU award (the “LTI RSU Award”), and an RSU award to non-employee directors (“Director RSU Award”). A total of 800,000 shares of the Company’s common stock were authorized and reserved for issuance under this plan. See Note 17 – Management Incentive Plans.

#### **Note 9 – Cumulative Redeemable Convertible Preferred Stock**

In connection with the Business Combination, the Company issued 400,000 shares of Class A preferred stock (the “Preferred Stock”) on July 20, 2016. Each share of Preferred Stock was convertible (at the holder’s election) into two shares of the Company’s common stock (as may be adjusted for any stock splits, reverse stock splits or similar transactions), representing a conversion price of \$12.50 per share; provided, that such conversion was in compliance with Nasdaq’s listing requirements. The Preferred Stock ranked senior to all classes and series of outstanding capital stock. The Company agreed to not issue any other shares of capital stock that ranked senior or pari passu to the Preferred Stock while the Preferred Stock was outstanding, unless at least 30% of the proceeds from such issuance were used to redeem Preferred Stock. The holders of the Preferred Stock were, in priority to any other class or series of capital stock, entitled to receive, as and when declared by the board of directors fixed, cumulative, preferential dividends at a rate of: (i) 8% per annum in years one through three from issuance; (ii) 10% per annum in years four through five from issuance; and (iii) 12% per annum thereafter, payable in equal quarterly installments. Dividends on outstanding Preferred Stock accrued day to day from the date of issuance of the Preferred Stock. No dividends in excess of the accrued and unpaid preferred yield in respect of the Preferred Stock were permitted.

On July 14, 2017, the Company entered into a preferred stock repurchase agreement (the “Preferred Stock Repurchase Agreement”) with 1347 Investors pursuant to which (a) the Company repurchased from 1347 Investors a total of 120,000 shares of the Preferred Stock for an aggregate sum of \$4.1 million in cash, (b) for a period of six months after such repurchase, the Company had the right to repurchase from 1347 Investors, in one or more transactions, all or a portion of the remaining 280,000 shares of Preferred Stock owned by 1347 Investors for a purchase price equal to 130% of the liquidation value per share plus 130% of any and all accrued but unpaid dividends thereon as of the date of closing of the purchase of such shares and (c) 1347 Investors would not, with respect to the 509,500 shares of common stock held in escrow pursuant to its current lock-up arrangement that expired on July 20, 2017, sell or otherwise transfer such shares of common stock during the period from such expiration through October 20, 2017.

This repurchase was funded through permitted borrowings under the Company’s revolving credit facility and closed on July 14, 2017. The Company has retired the repurchased shares.

As discussed in Note 7 – Debt, on January 12, 2018, the Company exercised its repurchase right with respect to the remaining 280,000 shares of Preferred Stock using the proceeds from the Bridge Term Loan for an aggregate purchase price of \$10.0 million, including a \$2.2 million premium and accrued but unpaid dividends of \$0.9 million, pursuant to the previously disclosed preferred stock purchase agreement, dated as of July 14, 2017, by and among the Company and 1347 Investors. The Company has retired the repurchased shares.

## Note 10 – Fair Value Measurements

The Company measures the fair value of financial assets and liabilities in accordance with ASC Topic 820 – Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 — inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2 — inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities; and
- Level 3 — unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company believes that the carrying amounts of its financial instruments, including cash and cash equivalents, trade accounts receivable and accounts payable consist primarily of instruments without extended maturities, which approximate fair value primarily due to their short-term maturities and low risk of counterparty default. We also believe that the carrying value of the Credit Agreement term loan approximates its fair value due to the variable rate on such debt. As of March 31, 2018, the Company determined the fair value of its Credit Agreement term loan at \$16.9 million, its Credit Agreement Revolver loan at \$12.1 million and Bridge Term Loan at \$9.8 million. Such fair value is determined using discounted estimated future cash flows using level 3 inputs.

To determine the fair value of the warrants issued in connection with the Business Combination, the Company utilized the Black-Scholes model.

## Note 11 – Earnings per Share

Diluted EPS assumes the dilutive effect of outstanding common stock warrants, unit purchase options (“UPOs”) and RSUs, all using the treasury stock method, and the dilutive effect of the Class A Preferred Stock, using the “if-converted” method.

<i>(in thousands, except per share amounts)</i>	<b>Three months ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>EPS numerator:</b>		
Net loss	\$ (2,424)	\$ (1,214)
Less: Premium paid on redemption of redeemable convertible preferred stock	2,219	-
Less: Dividends on cumulative redeemable convertible preferred stock	(113)	238
<b>Net loss attributable to Limbach Holdings, Inc. common stockholders</b>	<b>\$ (4,530)</b>	<b>\$ (1,452)</b>
<b>EPS denominator:</b>		
Weighted average shares outstanding – basic	7,541	7,455
Weighted average shares outstanding – diluted	7,541	7,455
<b>Basic EPS attributable to common stockholders:</b>		
Net loss attributable to Limbach Holdings, Inc. common stockholders	\$ (0.60)	\$ (0.19)
<b>Diluted EPS attributable to common stockholders:</b>		
Net loss attributable to Limbach Holdings, Inc. common stockholders	\$ (0.60)	\$ (0.19)

The following table summarizes the securities that were antidilutive, and therefore, were not included in the computations of diluted loss per common share:

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
Warrants (See Note 8)	387,437	680,607
Class A Preferred stock (See Note 9)	68,444	800,000
Stock-based compensation (See Note 17)	46,948	-
UPOs (See Note 8)	5,176	6,913
<b>Total</b>	<b>508,005</b>	<b>1,487,520</b>

## Note 12 – Income Taxes

The Company is taxed as a C corporation.

For interim periods, the provision for income taxes (including federal, state, local and foreign taxes) is calculated based on the estimated annual effective tax rate and consists of the following:

<i>(in thousands)</i>	Three months ended	
	March 31, 2018	March 31, 2017
Deferred income tax benefit		
U.S. Federal	(759)	(887)
State and local	(284)	(196)
Total deferred income tax benefit	(1,043)	(1,083)
Income tax benefit	<u>\$ (1,043)</u>	<u>\$ (1,083)</u>

No current tax provision (benefit) was recorded for the three month periods ended March 31, 2018 and 2017. No valuation allowance was required as of March 31, 2018 or December 31, 2017.

The Company performed an analysis of its tax positions and determined that no material uncertain tax positions exist. Accordingly, there is no liability for uncertain tax positions as of March 31, 2018 or December 31, 2017. Based on the provisions of ASC Topic 740 - Income Taxes, the Company had no material unrecognized tax benefits as of March 31, 2018 and December 31, 2017.

A reconciliation of the federal statutory income tax rate to the Company's effective tax rate is as follows:

	Three months ended	
	March 31, 2018	March 31, 2017
Federal statutory income tax rate	21.0 %	34.0%
State income taxes, net of federal tax effect	5.5 %	4.6%
Nondeductible/nontaxable items	4.5 %	4.1%
Tax credits	(0.9)%	-
Effective tax rate	<u>30.1%</u>	<u>42.7%</u>

## Note 13 – Operating Segments

The Company determined its operating segments on the same basis that it assesses performance and makes operating decisions. The Company manages and measures the performance of its business in two distinct operating segments: Construction and Service. These segments are reflective of how the Company's Chief Operating Decision Maker ("CODM") reviews operating results for the purposes of allocating resources and assessing performance. The Company's CODM is comprised of its Chief Executive Officer, Chief Financial Officer and Chief Operating Officer.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance based on income from operations of the respective segments after the allocation of Corporate office operating expenses. In accordance with ASC Topic 280 – Segment Reporting, the Company has elected to aggregate all of the construction branches into one Construction reportable segment and all of the service branches into one Service reportable segment. All transactions between segments are eliminated in consolidation. Our Corporate department provides general and administrative support services to our two operating segments. The CODM allocates costs between segments for selling, general and administrative expenses and depreciation expense.



All of the Company's identifiable assets are located in the United States, which is where the Company is domiciled. The Company does not have sales outside the United States. The Company does not identify capital expenditures and total assets, including goodwill, by segment in its internal financial reports due in part to the shared use of a centralized fleet of vehicles and specialized equipment. Interest expense is not allocated to segments because of the corporate management of debt service including interest.

Condensed consolidated segment information for the periods presented is as follows:

<i>(in thousands)</i>	<b>Three months ended</b>	
	<b>March 31, 2018</b>	<b>March 31, 2017</b>
<b>Statement of Operations Data:</b>		
<b>Revenue:</b>		
Construction	\$ 96,810	\$ 91,465
Service	23,739	23,725
<b>Total revenue</b>	<b>120,549</b>	<b>115,190</b>
<b>Gross profit:</b>		
Construction	9,271	8,949
Service	4,016	4,820
<b>Total gross profit</b>	<b>13,287</b>	<b>13,769</b>
<b>Selling, general and administrative expenses:</b>		
Construction	7,866	7,281
Service	4,019	3,451
Corporate	3,781	3,835
<b>Total selling, general and administrative expenses</b>	<b>15,666</b>	<b>14,567</b>
Amortization of intangibles	335	1,008
<b>Operating loss</b>	<b>\$ (2,714)</b>	<b>\$ (1,806)</b>
<b>Operating loss for reportable segments</b>	<b>\$ (2,714)</b>	<b>\$ (1,806)</b>
<b>Less unallocated amounts:</b>		
Interest expense, net	769	454
(Gain) loss on sale of property and equipment	(16)	37
<b>Total unallocated amounts</b>	<b>753</b>	<b>491</b>
<b>Total consolidated loss before income taxes</b>	<b>\$ (3,467)</b>	<b>\$ (2,297)</b>
<b>Other Data:</b>		
<b>Depreciation and amortization:</b>		
Construction	\$ 666	\$ 978
Service	180	489
Corporate	525	1,179
<b>Total other data</b>	<b>\$ 1,371</b>	<b>\$ 2,646</b>

#### **Note 14 – Commitments and Contingencies**

*Leases.* Operating leases consist primarily of leases for real property and equipment. The leases frequently include renewal options, escalation clauses, and require the Company to pay certain occupancy expenses. Lease expense was approximately \$1.0 million and \$0.9 million for the three months ended March 31, 2018 and March 31, 2017, respectively.

Capital leases consist primarily of leases for vehicles (see Note 7 – Debt). The leases require monthly payments of principal and interest. All leases transfer title at lease end for a nominal cash buyout.

*Legal.* The Company is continually engaged in administrative proceedings, arbitrations, and litigation with owners, general contractors, suppliers, and other unrelated parties, all arising in the ordinary courses of business. In the opinion of the Company's management, the results of these actions will not have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

Limbach Facility Services LLC ("LFS") and Harper Limbach LLC ("Harper"), wholly owned subsidiaries of the Company, are parties to a lawsuit involving a Harper employee who was alleged to be in the course and scope of his employment at the time the personal car he was operating collided with another car causing injuries to three persons and one fatality. The plaintiffs have made settlement demands within LFS and Harper's insurance coverage limits. Insurance companies for LFS and Harper countered with lower amounts that were not accepted. The Company currently has no estimate of when a trial in this matter may take place or to what extent settlement discussions may continue. The Company cannot reasonably estimate a range of loss at this time and does not believe the outcome will have a material impact on the Company.

During the first quarter of 2018, the court granted plaintiffs' motion to amend their complaint to add claims for punitive damages against LFS and Harper. The amount of punitive damages, if awarded, could be material. The Company intends to vigorously oppose the claims for punitive damages and will file an appeal after trial if punitive damages are awarded. Based on the existence of several significant uncertainties related to punitive damages, the Company cannot currently predict an outcome in this matter and is unable to reasonably estimate a range of loss at this time.

*Surety.* The terms of our construction contracts frequently require that we obtain from surety companies, and provide to our customers, payment and performance bonds ("Surety Bonds") as a condition to the award of such contracts. The Surety Bonds secure our payment and performance obligations under such contracts, and we have agreed to indemnify the surety companies for amounts, if any, paid by them in respect of Surety Bonds issued on our behalf. In addition, at the request of labor unions representing certain of our employees, Surety Bonds are sometimes provided to secure obligations for wages and benefits payable to or for such employees. Public sector contracts require Surety Bonds more frequently than private sector contracts, and accordingly, our bonding requirements typically increase as the amount of public sector work increases. As of March 31, 2018, the Company had approximately \$86.0 million in surety bonds outstanding. The Surety Bonds are issued by surety companies in return for premiums, which vary depending on the size and type of bond.

*Collective Bargaining Agreements.* Many of the Company's craft labor employees are covered by collective bargaining agreements. The agreements require the Company to pay specified wages, provide certain benefits and contribute certain amounts to multi-employer pension plans. If the Company withdraws from any of the multi-employer pension plans or if the plans were to otherwise become underfunded, the Company could incur additional liabilities related to these plans. Although the Company has been informed that some of the multi-employer pension plans to which it contributes have been classified as "critical" status, the Company is not currently aware of any significant liabilities related to this issue.

#### **Note 15 – Self-Insurance**

The Company purchases workers' compensation and general liability insurance under policies with per-incident deductibles of \$250 thousand and a \$2.8 million maximum aggregate deductible loss limit per year.

The components of the self-insurance liability as of March 31, 2018 and December 31, 2017 are as follows:

<i>(in thousands)</i>	<b>As of March 31, 2018</b>	<b>As of December 31, 2017</b>
Current liability — workers' compensation and general liability	\$ 392	\$ 408
Current liability — medical and dental	506	508
Non-current liability	569	412
Total liability shown in Accrued expenses and other liabilities	<u>\$ 1,467</u>	<u>\$ 1,328</u>
Restricted cash	<u>\$ 113</u>	<u>\$ 113</u>

The restricted cash balance represents an imprest cash balance set aside for the funding of workers' compensation and general liability insurance claims. This amount is replenished either when depleted or at the beginning of each month.

#### **Note 16 – Backlog**

At March 31, 2018 and December 31, 2017, the Company's contractual Construction backlog, which represents the amount of revenue the Company expects to realize from work to be performed on uncompleted construction contracts in progress, was \$413.9 million and \$426.7 million, respectively. In addition, Service backlog as of March 31, 2018 and December 31, 2017 was \$38.6 million and \$34.7 million, respectively.

#### **Note 17 – Management Incentive Plans**

Upon approval of the Business Combination, the Company adopted the Limbach Holdings, Inc. Omnibus Incentive Plan (the "2016 Plan"). Certain employees, directors and consultants will be eligible to be granted awards under the 2016 Plan, other than incentive stock options, which may be granted only to employees. The Company has reserved 800,000 shares of its common stock for issuance under the 2016 Plan, as may be adjusted for stock splits, stock dividends, and similar changes in the Company's common stock. In connection with an event determined to constitute a change in control, the plan administrator may accelerate the vesting of awards previously granted. All awards are made in the form of shares only.

#### *Service-Based Awards*

In 2017, the Company granted 226,867 service-based RSUs to its executives, certain employees, and non-employee directors under the 2016 Plan.

The following table summarizes our service-based RSU activity for the quarter ended March 31, 2018:

	<u>Awards</u>	<u>Weighted-Average Grant Date Fair Value</u>
Unvested at December 31, 2017	176,965	\$ 13.25
Granted	-	-
Vested	(26,422)	13.25
Forfeited	(2,667)	13.25
Unvested at March 31, 2018	<u>147,876</u>	<u>\$ 13.25</u>

#### *Performance-Based Awards*

In 2017, the Company granted 66,500 performance-based RSUs (“PRSUs”) to its executives and certain employees under the 2016 Plan. The Company will recognize stock-based compensation expense for these awards over the vesting period based on the projected probability of achievement of the aforementioned performance conditions as of the end of each reporting period during the performance period and may periodically adjust the recognition of such expense, as necessary, in response to any changes in the Company’s forecasts with respect to the performance conditions. For the quarter ended March 31, 2018, the Company did not recognize any stock-based compensation expense related to these awards.

The following table summarizes our PRSU activity for the quarter ended March 31, 2018:

	<u>Awards</u>	<u>Weighted-Average Grant Date Fair Value</u>
Unvested at December 31, 2017	66,500	\$ 13.25
Granted	-	-
Vested	-	-
Forfeited	(2,000)	13.25
Unvested at March 31, 2018	<u>64,500</u>	<u>\$ 13.25</u>

#### *Market-Based Awards*

In 2017, the Company granted 146,500 market-based RSUs (“MRSUs”) to its executives and certain employees under the 2016 Plan.

The following table summarizes our MRSU activity for the quarter ended March 31, 2018:

	<u>Awards</u>	<u>Weighted- Average Grant Date Fair Value</u>
Unvested at December 31, 2017	146,500	\$ 6.58
Granted	-	-
Vested	-	-
Forfeited	(2,000)	6.58
Unvested at March 31, 2018	<u>144,500</u>	<u>\$ 6.58</u>

Total recognized stock-based compensation expense amounted to \$0.5 million for the quarter ended March 31, 2018. Total unrecognized stock-based compensation expense related to unvested RSUs which are probable of vesting amounted to \$1.8 million at March 31, 2018. These costs are expected to be recognized over a weighted average period of 1.59 years.

#### **Note 18 – Subsequent Events**

In April 2018, the Company granted 60,000 service-based RSUs and 60,000 performance-based RSUs to certain employees and executives, and 17,067 service-based RSUs to the Company's non-employee directors, under the Limbach Holdings, Inc. Omnibus Incentive Plan.

On May 15, 2018, the Company, LFS and LHLLC entered into the Fourth Amendment to Credit Agreement and Limited Waiver (the “Fourth Amendment and Limited Waiver”) with the lenders party thereto and Fifth Third Bank, as administrative agent and L/C Issuer. The Fourth Amendment and Limited Waiver amends the existing covenants to include additional information covenants, such as work in process reports and monthly cash flow schedules. In addition, the amendment requires a fixed charge coverage ratio of not less than 1.15 for the fiscal quarter ending June 30, 2018.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with the Condensed Consolidated Financial Statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our management’s expectations. Factors that could cause such differences are discussed in “Forward-Looking Statements” and “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on April 2, 2018. We assume no obligation to update any of these forward-looking statements.

### **Overview**

We are an industry-leading commercial specialty contractor in the areas of HVAC, plumbing, electrical and building controls through design and construction of new and renovated buildings, maintenance services, energy retrofits and equipment upgrades for private customers and federal, state, and local public agencies in Florida, California, Massachusetts, New Jersey, Pennsylvania, Delaware, Maryland, Washington, D.C., Virginia, West Virginia, Ohio and Michigan. We operate our business in two segments, (i) Construction, in which we generally manage large construction or renovation projects that involve primarily HVAC, plumbing or electrical services, and (ii) Service, in which we provide facility maintenance or services primarily on HVAC, plumbing or electrical systems. Our branches and corporate headquarters are located in the United States.

### **JOBS Act**

We are an emerging growth company (“EGC”) pursuant to the JOBS Act. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying companies. Under the JOBS Act, we will remain an EGC until the earliest of:

- December 31, 2019 (the last day of the fiscal year following the fifth anniversary of our initial public offering of common equity securities);
- the last day of the fiscal year in which we have annual gross revenue of \$1.07 billion or more;
- the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt; and
- the date on which we are deemed to be a “large accelerated filer,” which will occur at such time as the Company has an aggregate worldwide market value of common equity securities held by non-affiliates of \$700.0 million or more as of the last business day of our most recently completed second fiscal quarter.

Pursuant to Section 107(b) of the JOBS Act, as an EGC we elected to delay adoption of accounting pronouncements newly issued or revised after April 5, 2012 applicable to public companies until such pronouncements are made applicable to private companies. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies.

### **Key Components of Condensed Consolidated Statements of Operations**

#### ***Revenue***

We generate revenue principally from fixed-price construction contracts to deliver HVAC, plumbing, and electrical construction services to our customers. The duration of our contracts generally ranges from six months to two years. Revenue from fixed price contracts are recognized on the percentage-of-completion method, measured by the relationship of total cost incurred to total estimated contract costs (cost-to-cost method). Revenue from time and materials contracts is recognized as services are performed. We believe that our extensive experience in HVAC, plumbing, and electrical projects, and our internal cost review procedures during the bidding process, enable us to reasonably estimate costs and mitigate the risk of cost overruns on fixed price contracts.

We generally invoice customers on a monthly basis, based on a schedule of values that breaks down the contract amount into discrete billing items. Costs and estimated earnings in excess of billings on uncompleted contracts are recorded as an asset until billable under the contract terms. Billings in excess of costs and estimated earnings on uncompleted contracts are recorded as a liability until the related revenue is recognizable.

### ***Cost of Revenue***

Cost of revenue primarily consists of the labor, equipment, material, subcontract, and other job costs in connection with fulfilling the terms of our contracts. Labor costs consist of wages plus taxes, fringe benefits, and insurance. Equipment costs consist of the ownership and operating costs of company-owned assets, in addition to outside-rented equipment. If applicable, job costs include estimated contract losses to be incurred in future periods. Due to the varied nature of our services, and the risks associated therewith, contract costs as a percentage of contract revenue have historically fluctuated and we expect this fluctuation to continue in future periods.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses consist primarily of personnel costs for our administrative, estimating, human resources, safety, information technology, legal, finance and accounting employees and executives. Also included are non-personnel costs, such as travel-related expenses, legal and other professional fees and other corporate expenses to support the growth of our business and to meet the compliance requirements associated with operating as a public company. Those costs include accounting, human resources, information technology, legal personnel, additional consulting, legal and audit fees, insurance costs, board of directors' compensation and the costs of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act.

### ***Amortization of Intangibles***

Amortization expense represents periodic non-cash charges that consist of amortization of various intangible assets, primarily including Construction and Service backlogs, customer relationships – service and favorable leasehold interests.

### ***Other Income/Expense, Net***

Other income/expense, net consists primarily of interest expense incurred in connection with our debt, net of interest income and gains and losses on the sale of property and equipment. Deferred financing costs are amortized to interest expense using the effective interest method.

### ***Provision for Income Taxes***

The Company is taxed as a C corporation. Our financial results include the effects of federal income taxes which are paid at the parent level.

For interim periods, the provision for income taxes (including federal, state and local taxes) is calculated based on the estimated annual effective tax rate. The Company accounts for income taxes in accordance with ASC Topic 740 - Income Taxes, which requires the use of the asset and liability method. Under this method, deferred tax assets and liabilities and income or expense are recognized for the expected future tax consequences of temporary differences between the financial statement carrying values and their respective tax bases, using enacted tax rates expected to be applicable in the years in which the temporary differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes.

### ***Operating Segments***

We manage and measure the performance of our business in two operating segments: Construction and Service. These segments are reflective of how the Company's Chief Operating Decision Makers ("CODM") reviews operating results for the purposes of allocating resources and assessing performance. Our chief operating decision makers are our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The CODM evaluates performance and allocates resources based on operating income, which is profit or loss from operations before "other" corporate expenses, income tax provision (benefit) and dividends, if any.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The CODM evaluates performance based on income from operations of the respective branches after the allocation of corporate office operating expenses. In accordance with ASC Topic 280 – Segment Reporting, the Company has elected to aggregate all of the construction branches into one Construction reportable segment and all of the service branches into one Service Reportable segment. All transactions between segments are eliminated in consolidation. Our corporate department provides general and administrative support services to our two operating segments. We allocate costs between segments for selling, general and administrative expenses and depreciation expense. Some selling, general and administrative expenses such as executive and administrative salaries and payroll, corporate marketing, corporate depreciation and amortization, consulting, and accounting and corporate legal fees are not allocated to segments because the allocation method would be arbitrary and would not provide an accurate presentation of operating results of segments; instead these types of expenses are maintained as a corporate expense. See Note 13 – Operating Segments in the Notes to Condensed Consolidated Financial Statements.

We do not identify capital expenditures and total assets, including goodwill, by segment in our internal financial reports due in part to the shared use of a centralized fleet of vehicles and specialized equipment. Interest expense is not allocated to segments because of the corporate management of debt service including interest.

**Comparison of Results of Operations for the three months ended March 31, 2018 and March 31, 2017**

The following table presents operating results for the three months ended March 31, 2018 and March 31, 2017 in dollars and expressed as a percentage of total revenue, as compared below:

	<b>Three months ended March 31,</b>			
	<b>2018</b>		<b>2017</b>	
<i>(in thousands except for percentages)</i>	<b>(\$)</b>	<b>(%)</b>	<b>(\$)</b>	<b>(%)</b>
<b>Statement of Operations Data:</b>				
Revenue:				
Construction	\$ 96,810	80.3%	\$ 91,465	79.4%
Service	23,739	19.7%	23,725	20.6%
<b>Total revenue</b>	<b>120,549</b>	<b>100.0%</b>	<b>115,190</b>	<b>100.0%</b>
Gross profit:				
Construction	9,271	9.6% <sup>(1)</sup>	8,949	9.7% <sup>(1)</sup>
Service	4,016	16.9% <sup>(2)</sup>	4,820	20.3% <sup>(2)</sup>
<b>Total gross profit</b>	<b>13,287</b>	<b>11.0%</b>	<b>13,769</b>	<b>11.9%</b>
Selling, general and administrative:				
Construction	7,866	8.1% <sup>(1)</sup>	7,281	6.3% <sup>(1)</sup>
Service	4,019	16.9% <sup>(2)</sup>	3,451	3.0% <sup>(2)</sup>
Corporate	3,781	3.1% <sup>(3)</sup>	3,835	3.3% <sup>(3)</sup>
<b>Total selling, general and administrative expenses</b>	<b>15,666</b>	<b>13.0%</b>	<b>14,567</b>	<b>12.6%</b>
Amortization of intangibles (Corporate)	335	0.3%	1,008	0.9%
Operating income (loss):				
Construction	1,405	1.5% <sup>(1)</sup>	1,668	1.8% <sup>(1)</sup>
Service	(3)	0.0% <sup>(2)</sup>	1,369	5.7% <sup>(2)</sup>
Corporate	(4,116)	-	(4,843)	-
<b>Total operating income (loss)</b>	<b>(2,714)</b>	<b>(2.3)%</b>	<b>(1,806)</b>	<b>(0.2)%</b>
Other expenses (Corporate)	(753)	(0.6)%	(491)	(0.4)%
Loss before provision for income taxes	(3,467)	(2.9)%	(2,297)	(1.9)%
Income tax benefit	(1,043)	(0.9)%	(1,083)	(0.9)%
<b>Net loss</b>	<b>\$ (2,424)</b>	<b>\$ (2.0)%</b>	<b>\$ (1,214)</b>	<b>\$ (1.0)%</b>

(1) As a percentage of Construction revenue.

(2) As a percentage of Service revenue.

(3) As a percentage of Total revenue.

## Revenue

<i>(in thousands except for percentages)</i>	Three months ended March 31,			
	2018	2017	Increase/(Decrease)	
	\$	\$	\$	%
Revenue:				
Construction	96,810	91,465	5,345	5.8%
Service	23,739	23,725	14	0.0%
Total revenue	120,549	115,190	5,359	4.7%

Revenue for the three months ended March 31, 2018 increased by \$5.4 million compared to the revenue generated for the three months ended March 31, 2017. Construction revenue increased by \$5.3 million, or 5.8%, and Service revenue increased by a negligible amount. The increase in Construction revenue was primarily driven by revenue increases at the Mid-Atlantic, New England, Southern California and Eastern Pennsylvania regions, as partially offset by decreases in Michigan and the Western Pennsylvania region. The slight increase in Service revenue resulted primarily from the growth in Mid-Atlantic and Eastern Pennsylvania that were more than offset by revenue decreases in the Michigan and New England regions, primarily due to two projects that were completed since the first quarter of 2017. Maintenance contract revenue, a component of service revenue, was \$3.3 million and \$3.1 million for the three months ended March 31, 2018 and March 31, 2017, respectively, an increase of \$0.2 million or 6.5%.

## Gross Profit

<i>(in thousands except for percentages)</i>	Three months ended March 31,			
	2018	2017	Increase/(Decrease)	
	\$	\$	\$	%
Gross Profit:				
Construction	9,271	8,949	322	3.6%
Service	4,016	4,820	(804)	(16.7)%
Total gross profit	13,287	13,769	(482)	(3.5)%
Total gross profit as a percentage of consolidated total revenue	11.0%	11.9%		

Our gross profit decreased by \$0.5 million for the three months ended March 31, 2018 down from \$13.8 million for the three months ended March 31, 2017. Construction gross profit increased \$0.3 million or 3.6%. Service gross profit decreased \$0.8 million, or 16.7%. The total gross profit percentage decreased slightly from 11.9% for the three months ended March 31, 2017 to 11.0% for the same period ended in 2018, mainly driven by revisions in contract estimates resulting in gross profit write downs.

For the three months ended March 31, 2018, we recorded revisions in contract estimates for five construction projects resulting in gross profit write downs totaling \$3.7 million, as well as a single service project write down totaling \$0.9 million. We have undertaken extensive internal reviews by personnel not assigned to these projects, employed outside consultants and are considering potential recovery remedies which will likely not be realized until 2019, if at all. The Company is not currently in a position to recognize any potential recoveries in its financial statements. We also recorded revisions in our contract estimates on four construction projects resulting in gross profit write ups totaling \$1.5 million for the three months ended March 31, 2018.

## Selling, General and Administrative Expenses

<i>(in thousands except for percentages)</i>	Three months ended March 31,			
	2018	2017	Increase/(Decrease)	
	\$	\$	\$	%
Selling, general and administrative expenses:				
Construction	7,866	7,281	585	8.0%
Service	4,019	3,451	568	16.5%
Corporate	3,781	3,835	(54)	(1.4)%
Total selling, general and administrative expenses	15,666	14,567	1,099	7.5%
Selling, general and administrative expenses as a percentage of consolidated total revenue	13.0%	12.6%		

Our selling, general and administrative expenses (“SG&A”) for the three months ended March 31, 2018 increased by approximately \$1.1 million to \$15.7 million compared to \$14.6 million for the three months ended March 31, 2017. For the first quarter of 2018, Corporate SG&A expense included \$0.5 million of stock-based compensation expense associated with restricted stock units that were granted during the third quarter of 2017. For the three months ended March 31, 2018, we incurred \$1.2 million of incremental combined segment-related SG&A expense due to \$1.4 million in higher salary and benefits costs related to new hires at several branches, as partially offset by the absence of \$0.2 million in bad debt expense related to a bankrupt customer during the three months ended March 31, 2017. Selling, general and administrative expenses as a percentage of revenues were 13.0% for the three months ended March 31, 2018 and 12.6% for the three months ended March 31, 2017.

#### ***Amortization of Intangibles***

<i>(in thousands except for percentages)</i>	<b>Three months ended March 31,</b>			
	<b>2018</b>	<b>2017</b>	<b>Increase/(Decrease)</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Amortization of intangibles (Corporate)	335	1,008	(673)	(66.8)%

Total amortization expense for the amortizable intangible assets was \$0.3 million for the three months ended March 31, 2018 and \$1.0 million for the three months ended March 31, 2017. Of this first quarter 2018 decrease, \$0.6 million is attributable to the combination of the Backlog – Service intangible asset becoming fully amortized in 2017 and amortization on the Backlog – Construction asset being \$0.4 million lower for the first quarter of 2018.

#### ***Other Expenses***

<i>(in thousands except for percentages)</i>	<b>Three months ended March 31,</b>			
	<b>2018</b>	<b>2017</b>	<b>Increase/(Decrease)</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
Other income (expenses):				
Interest expense, net	(769)	(454)	315	69.3%
Gain (loss) on disposition of property and equipment	16	(37)	(53)	(143.2)%
Total other expenses	(753)	(491)	262	53.3%

Other expenses, primarily interest expense, were \$0.8 million for the three months ended March 31, 2018 and \$0.5 million for the three months ended March 31, 2017. The 2018 interest increase is due to the Company’s higher borrowed position on its Credit Agreement Revolver and its addition of the Bridge Term Loan totaling \$10.0 million during the first quarter of 2018 in comparison to the first quarter of 2017.

#### ***Provision for Income Taxes***

The Company had no current state and local income tax provision (benefit) for the three month periods ended March 31, 2018 and 2017. Deferred income tax benefit totaled \$1.0 million for the three months ended March 31, 2018 and \$1.1 million for the three months ended March 31, 2017. The effective tax rate was approximately 30.1% for the three months ended March 31, 2018 compared to approximately 42.7% for the three months ended March 31, 2017. This decrease was primarily due to the U.S. Tax Cuts and Jobs Act (“Tax Reform Act”) signed into law on December 22, 2017. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from 34% to 21%, effective January 1, 2018. See Note 12 - Income Taxes in the Notes to Condensed Consolidated Financial Statements.

#### **Construction and Service Backlog Information**

Our contract backlog consists of the remaining unearned revenue on awarded contracts. Backlog is not a term recognized under GAAP; however, it is a common measurement used in our industry. Once we have successfully negotiated a project and have received written confirmation of the contract being awarded to us, we record the value of the contract as backlog. Consequently, contract backlog is also an important factor we use to monitor our business. The duration of our contracts vary significantly from months to years and our backlog is subject to increases as projects are added. Our backlog does not necessarily represent the amount of work that we are currently negotiating or pursuing at any given time. It is also subject to change as contract backlog can increase or decrease due to contract change orders.

Given the multi-year duration of many of our contracts, revenue from backlog is expected to be earned over a period that will extend beyond one year. Many of our contracts contain provisions that allow the contract to be canceled at any time; however, if this occurs, we can generally recover costs incurred up to the date of cancellation.

Construction backlog at March 31, 2018 was \$413.9 million compared to \$426.7 million at December 31, 2017. Although new construction contract awards in the first quarter of 2018 fell below that segment’s backlog burned, we foresee 2018 construction backlog additions in connection with design build/design assist projects for which we only included the engineering portion of these projects in backlog at March 31, 2018 and December 31, 2017. In addition, Service backlog as of March 31, 2018 was \$38.6 million compared to \$34.7 million at December 31, 2017. Of the total backlog at March 31, 2018, we expect to recognize approximately \$291.0 million by the end of 2018.



## Seasonality, Cyclical and Quarterly Trends

Severe weather can impact our operations. In the northern climates where we operate, and to a lesser extent the southern climates as well, severe winters can slow our productivity on construction projects, which shifts revenue and gross profit recognition to a later period. Our maintenance operations may also be impacted by mild or severe weather. Mild weather tends to reduce demand for our maintenance services, whereas severe weather may increase the demand for our maintenance and spot services. Our operations also experience mild cyclical, as building owners typically work through maintenance and capital projects at an increased level during the third and fourth calendar quarters of each year.

## Effect of Inflation

The prices of products such as steel, pipe, copper and equipment from manufacturers are subject to fluctuation. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial. When appropriate, we include cost escalation factors into our bids and proposals. In addition, we are often able to mitigate the impact of future price increases by entering into fixed price purchase orders for materials and equipment and subcontracts on our projects.

## Liquidity and Capital Resources

### Cash Flows

Our liquidity needs relate primarily to the provision of working capital (defined as current assets less current liabilities) to support operations, funding of capital expenditures, and investment in strategic opportunities. Historically, liquidity has been provided by operating activities and borrowing from commercial banks.

The following table presents summary cash flow information for the periods indicated:

<i>(in thousands)</i>	<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Net cash provided by (used in):		
Operating activities	\$ (74)	\$ (4,727)
Investing activities	(703)	(623)
Financing activities	526	4,235
Net decrease in cash and cash equivalents	\$ (251)	\$ (1,115)
Property and equipment financed with capital leases	\$ 718	\$ 393
Interest paid	729	409
Financed insurance premium	-	2,135

Our cash flows are primarily impacted from period to period by fluctuations in working capital. Factors such as our contract mix, commercial terms, days sales outstanding (“DSO”) and delays in the start of projects may impact our working capital. In line with industry practice, we accumulate costs during a given month then bill those costs in the current month for many of our contracts. While labor costs associated with these contracts are paid weekly and salary costs associated with the contracts are paid bi-weekly, certain subcontractor costs are generally not paid until we receive payment from our customers (contractual “pay-if-paid” terms). We have not historically experienced a large volume of write-offs related to our receivables and our unbilled revenue on contracts in progress. We regularly assess our receivables and costs in excess of billings for collectability and provide allowances for doubtful accounts where appropriate. We believe that our reserves for doubtful accounts are appropriate as of March 31, 2018, but adverse changes in the economic environment may impact certain of our customers’ ability to access capital and compensate us for our services, as well as impact project activity for the foreseeable future.

The following table represents our summarized working capital information:

<i>(in thousands, except ratios)</i>	<b>As of</b>	<b>As of</b>
	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Current assets	\$ 161,600	\$ 166,260
Current liabilities	(129,175)	(135,484)
Net working capital	\$ 32,425	\$ 30,776
Current ratio*	1.25	1.23

\* Current ratio is calculated by dividing current assets by current liabilities.

### ***Cash Flows Used in Operating Activities***

Cash flows used in operating activities were \$0.1 million for the three months ended March 31, 2018 and \$4.7 million for the three months ended March 31, 2017. For the three months ended March 31, 2018, the key drivers of the improvement in cash used in operating activities were decreases of \$2.5 million in accounts receivable and \$3.0 million in costs and estimated earnings in excess of billings (i.e., underbillings) and an increase in billings in excess of costs and estimated earnings (i.e. overbillings) of \$2.6 million, as partially offset by a decrease in accounts payable of \$5.4 million. The changes in underbillings and overbillings were primarily due to new construction projects progressing and project progress allowing for additional billings for both work in progress and work completed.

For the three months ended March 31, 2017, the key drivers of the \$4.7 million of cash used in operating activities were a \$6.2 million decrease in net receivables, as offset by a decrease in billings in excess of costs and estimated earnings on uncompleted contracts, or overbillings, of \$5.1 million. The decrease in overbillings was primarily due to new construction projects with unbilled balances, each of which had no prior balance, offset by several overbilled projects, some of which had no prior balance. Additionally, accrued expenses and other liabilities decreased by \$5.0 million during the first quarter of 2017, due primarily to a \$4.3 million decrease in the bonus and commission accrual resulting from 2016 bonus payments made during the first quarter of 2017 and a decrease of \$0.8 million in accrued job costs offset by a \$0.4 million increase in accrued payroll and related liabilities due to increased personnel costs.

Non-cash charges for depreciation and amortization decreased to \$1.4 million for the three months ended March 31, 2018 down from \$2.6 million for the three months ended March 31, 2017, due primarily to accelerated amortization on certain intangible assets acquired as part of the 2016 acquisition of LHLLC.

### ***Cash Flows Used in Investing Activities***

Cash flows used in investing activities for the three months ended March 31, 2018 were \$0.7 million and \$0.6 million for the three months ended March 31, 2017. The majority of our cash used for investing activities in both periods was for capital additions pertaining to additional vehicles, tools and equipment, computer software and hardware purchases, office furniture and office related leasehold improvements. We also obtained the use of various assets through operating and capital leases, which reduced the level of capital expenditures that would have otherwise been necessary to operate our business.

### ***Cash Flows Provided by Financing Activities***

Cash flows provided by financing activities were \$0.5 million for the three months ended March 31, 2018 and \$4.2 million for the three months ended March 31, 2017. For the three months ended March 31, 2018 we borrowed \$41.3 million and repaid a total of \$34.8 million on the Credit Agreement revolving facility, and borrowed \$10.0 million in the form of a Bridge Term Loan which was used to redeem the remaining 280,000 preferred shares for \$10.0 million, including accrued but unpaid dividends of \$0.9 million. In addition, the Company repaid \$0.3 million of the Bridge Term Loan, made repayments of \$0.8 million on the Credit Agreement term loan and made capital lease payments of \$0.4 million. During the three months ended March 31, 2018, the Company's bank overdraft decreased by \$4.3 million, representing a decrease in the Company's short-term obligation to its bank. Bank overdrafts represent outstanding checks in excess of cash on hand with a specific financial institution as of any balance sheet date.

For the three months ended March 31, 2017, we received proceeds from the Credit Agreement revolving facility of \$13.0 million, offset by \$7.0 million in repayments. During this period, we made payments of \$0.8 million on our term loan, \$0.4 million on capital lease payments and \$0.6 million on financed insurance premiums.

### ***Debt and Other Obligations***

On January 12, 2018, LFS and LHLLC entered into the Second Amendment and Limited Waiver to the Credit Agreement (the "Second Amendment and Limited Waiver") with the lenders party thereto and Fifth Third Bank, as administrative agent. The Second Amendment and Limited Waiver provides for a new term loan under the Credit Agreement in the aggregate principal amount of \$10,000,000 (the "Bridge Term Loan"), the proceeds of which were used to repurchase the Company's remaining 280,000 shares of Class A Preferred Stock.

On March 21, 2018, the Company, LFS and LHLLC entered into the Third Amendment to Credit Agreement (the "Third Amendment") with the lenders party thereto and Fifth Third Bank, as administrative agent and L/C Issuer. The Third Amendment provides for an increase in the amount that may be drawn against the Credit Agreement Revolver for the issuances of letters of credit from \$5.0 million to \$8.0 million, modifies the definition of EBITDA to include certain one-time costs and non-cash charges and joins the Company as a guarantor under the Credit Agreement and related loan documents.

At March 31, 2018, the Company had total irrevocable letters of credit in the amount of \$3.6 million under its self-insurance program as compared to \$3.5 million at December 31, 2017.

The Credit Agreement requires that the Company comply with certain financial performance covenants including: (1) a senior leverage ratio not to exceed 2.75, (2) a fixed charge coverage ratio not less than 1.25 (1.15 at June 30, 2018) and (3) minimum tangible net worth of not less than \$8.0 million, increased by 25% of net income for the Company's immediately prior fiscal year, if any. As of March 31, 2018, the Company's senior leverage ratio was 3.01, which exceeded the maximum of 2.75 under the Credit Agreement. This was mainly caused by project write downs coupled with customer payments that were expected before March 31, 2018 but not received until the early part of April 2018, thereby causing the Company to draw on its revolving line of credit more than forecasted at quarter end. The Company's fixed charge ratio coverage ratio was 1.33 as of March 31, 2018. The lender has waived the event of default arising from the noncompliance as of March 31, 2018 and lowered the fixed charge coverage ratio for June 30, 2018, while reserving its rights with respect to covenant compliance in future quarters. The Company believes that it will be in compliance with this covenant in future quarters. As a result of having obtained a waiver, management estimates no impact of this covenant violation on the Company's financial condition and liquidity.

The following table reflects our available funding capacity as of March 31, 2018:

<i>(in thousands)</i>	
Cash & cash equivalents	\$ 375
Credit agreement:	
Revolving credit facility	\$ 12,895
Outstanding letters of credit	(3,565)
Net credit agreement capacity available	9,330
Total available funding capacity	<u>\$ 9,705</u>

### **Cash Flow Summary**

Management continues to devote additional resources to its collection efforts and expects this operating cash flow trend to reverse and improve as new projects mature, retention is collected on completed projects, and profits increase. Management further expects that growth in its service business, which is less sensitive to the cash flow issues presented by large construction projects, will positively impact our cash flow trends.

We believe our current cash and cash equivalents of \$0.4 million as of March 31, 2018, cash payments to be received from existing and new customers, and availability of borrowing under the revolving line of credit under our Credit Agreement (pursuant to which we had \$9.3 million of availability as of March 31, 2018) will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support it, and increased selling, general and administrative expenses to support the anticipated growth in our operations and regulatory requirements as a new public company. Our capital expenditures in future periods are expected to grow in line with our business. To the extent that existing cash and cash from operations are not sufficient to fund our future operations, we may need to raise additional funds through public or private equity or additional debt financing. Although we currently are not a party to any agreement with any third parties with respect to potential investments in, or acquisitions of, businesses, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

### **Surety Bonding**

In connection with our business, we are occasionally required to provide various types of surety bonds that provide an additional measure of security to our customers for our performance under certain government and private sector contracts. Our ability to obtain surety bonds depends upon our capitalization, working capital, past performance, management expertise and external factors, including the capacity of the overall surety market. Surety companies consider such factors in light of the amount of our backlog that we have currently bonded and their current underwriting standards, which may change from time-to-time. The bonds we provide typically reflect the contract value. As of March 31, 2018, the Company had approximately \$86.0 million in surety bonds outstanding. We believe that our \$700 million bonding capacity provides us with a significant competitive advantage relative to many of our competitors which have limited bonding capacity.

## Insurance and Self-Insurance

We purchase workers' compensation and general liability insurance under policies with per-incident deductibles of \$250,000 per occurrence. Losses incurred over primary policy limits are covered by umbrella and excess policies up to specified limits with multiple excess insurers. We accrue for the unfunded portion of costs for both reported claims and claims incurred but not reported. The liability for unfunded reported claims and future claims is reflected on the Condensed Consolidated Balance Sheets as current and non-current liabilities. The liability is computed by determining a reserve for each reported claim on a case-by-case basis based on the nature of the claim and historical loss experience for similar claims plus an allowance for the cost of incurred but not reported claims. The current portion of the liability is included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheet. The non-current portion of the liability is included in other long-term liabilities on the Condensed Consolidated Balance Sheet.

We are self-insured related to medical and dental claims under policies with annual per-claimant and annual aggregate stop-loss limits. We accrue for the unfunded portion of costs for both reported claims and claims incurred but not reported. The liability for unfunded reported claims and future claims is reflected on the Condensed Consolidated Balance Sheets as a current liability in accrued expenses and other current liabilities.

The components of the self-insurance liability are reflected below as of March 31, 2018 and December 31, 2017:

<i>(in thousands)</i>	<b>As of March 31, 2018</b>	<b>As of December 31, 2017</b>
Current liability – workers' compensation and general liability	\$ 392	\$ 408
Current liability – medical and dental	506	508
Non-current liability	569	412
Total liability	\$ 1,467	\$ 1,328
Restricted cash	\$ 113	\$ 113

The restricted cash balance represents cash set aside for the funding of workers' compensation and general liability insurance claims. This amount is replenished when depleted, or at the beginning of each month.

## Multiemployer Pension Plans

We participate in approximately 40 multiemployer pension plans ("MEPPs") that provide retirement benefits to certain union employees in accordance with various collective bargaining agreements ("CBAs"). As one of many participating employers in these MEPPs, we are responsible with the other participating employers for any plan underfunding. Our contributions to a particular MEPP are established by the applicable CBAs; however, required contributions may increase based on the funded status of an MEPP and legal requirements of the Pension Protection Act of 2006 (the "PPA"), which requires substantially underfunded MEPPs to implement a funding improvement plan ("FIP") or a rehabilitation plan ("RP") to improve their funded status. Factors that could impact funded status of an MEPP include, without limitation, investment performance, changes in the participant demographics, decline in the number of contributing employers, changes in actuarial assumptions and the utilization of extended amortization provisions. Assets contributed to the MEPPs by us may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to an MEPP, the unfunded obligations of the MEPP may be borne by the remaining participating employers.

An FIP or RP requires a particular MEPP to adopt measures to correct its underfunding status. These measures may include, but are not limited to an increase in a company's contribution rate as a signatory to the applicable CBA, or changes to the benefits paid to retirees. In addition, the PPA requires that a 5.0% surcharge be levied on employer contributions for the first year commencing shortly after the date the employer receives notice that the MEPP is in critical status and a 10.0% surcharge on each succeeding year until a CBA is in place with terms and conditions consistent with the RP.

We could also be obligated to make payments to MEPPs if we either cease to have an obligation to contribute to the MEPP or significantly reduce our contributions to the MEPP because we reduce the number of employees who are covered by the relevant MEPP for various reasons, including, but not limited to, layoffs or closure of a subsidiary assuming the MEPP has unfunded vested benefits. The amount of such payments (known as a complete or partial withdrawal liability) would equal our proportionate share of the MEPPs' unfunded vested benefits. We believe that certain of the MEPPs in which we participate may have unfunded vested benefits. Due to uncertainty regarding future factors that could trigger withdrawal liability, we are unable to determine (a) the amount and timing of any future withdrawal liability, if any, and (b) whether our participation in these MEPPs could have a material adverse impact on our financial condition, results of operations or liquidity.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act; therefore, pursuant to Item 301(c) of Regulation S-K, we are not required to provide the information required by this Item.

### **Item 4. Controls and Procedures**

#### **Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”). Based on that evaluation as of March 31, 2018, our Chief Executive Officer and Chief Financial Officer concluded that our Company’s disclosure controls and procedures were not effective due to two material weaknesses in our financial reporting which were reported in our Annual Report on Form 10-K for the year ended December 31, 2017 and which were related to 1) contract administration and review of our work-in-process schedule (including a full employee access level review of our financially significant accounting systems), and 2) the execution of controls related to our job cost accruals.

The Company is committed to remediating the underlying causes of these material weaknesses by implementing improvements to our controls and procedures. In addressing the material weaknesses, the Company, with the oversight of senior management and assistance from external consultants, implemented the following steps to improve internal controls over contract administration and review of the work-in-process schedule:

- Began training for branch personnel regarding the necessary precision level for the review of the work-in-process schedule;
- Implemented corporate oversight and monitoring to ensure that projects having unique claim, back charge and incentive conditions are properly accounted for at each period-end date; and
- Identified key modules of our financially significant accounting systems for purposes of conducting a full employee access level review.

With respect to the material weakness related to the execution of job cost accrual controls, management performed the following:

- Refined the Company’s related processes and controls relative to job cost accruals;
- Conducted additional training of branch financial management personnel; and
- Completed additional testing of amounts accrued by branch personnel, including appropriate testing for both inclusion in/exclusion from the reported accruals at period-end.

#### **Changes in Internal Control over Financial Reporting**

Except with respect to certain enhancements discussed immediately above, there has been no change in our internal control over financial reporting during the three months ended March 31, 2018 that has materially affected, or its reasonably likely to materially affect, our internal control over financial reporting.

## Part II

### Item 1. Legal Proceedings

There have been no material changes to our legal proceedings previously disclosed in Part I, Item 3 of our 2017 Annual Report on Form 10-K.

### Item 1A. Risk Factors

There have been no material changes to our risk factors previously disclosed in Part I, Item 1A of our 2017 Annual Report on Form 10-K.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

On May 15, 2018, the Company, LFS and LHLLC entered into the Fourth Amendment to Credit Agreement and Limited Waiver (the "Fourth Amendment and Limited Waiver") with the lenders party thereto and Fifth Third Bank, as administrative agent and L/C Issuer. The Fourth Amendment and Limited Waiver amends the existing covenants to include additional information covenants, such as work in process reports and monthly cash flow schedules. In addition, the amendment requires a fixed charge coverage ratio of not less than 1.15 for the fiscal quarter ending June 30, 2018.

### Item 6. Exhibits

<b>Exhibit</b>	<b>Description</b>
<a href="#"><u>10.1</u></a>	<a href="#"><u>Amended and Restated Registration Rights Agreement, dated as of July 20, 2016, by and among the Company and the parties named on the signature pages thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on July 26, 2016).</u></a>
<a href="#"><u>10.2</u></a>	<a href="#"><u>Amendment No. 1 to Amended and Restated Registration Rights Agreement, among the Company and the signatories thereto (incorporated by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on November 14, 2016).</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Amendment No. 2 to Amended and Restated Registration Rights Agreement, among the Company and the signatories thereto (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on April 17, 2017).</u></a>
<a href="#"><u>10.4</u></a>	<a href="#"><u>Credit Agreement, dated as of July 20, 2016, by and among Limbach Facility Services LLC, the Company, the guarantors from time to time party thereto, the lenders from time to time party thereto, Fifth Third Bank, The PrivateBank and Trust Company and Wheaton Bank &amp; Trust Company, a subsidiary of Wintrust Financial Corp (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on July 26, 2016).</u></a>
<a href="#"><u>10.5</u></a>	<a href="#"><u>Second Amendment to Credit Agreement and Limited Waiver, dated January 12, 2018, by and among Limbach Facility Services LLC, Limbach Holdings LLC, the other Guarantors party thereto, the Lenders party thereto and Fifth Third Bank, as Administrative Agent and L/C Issuer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on January 12, 2018).</u></a>
<a href="#"><u>10.6</u></a>	<a href="#"><u>Third Amendment to Credit Agreement, dated March 21, 2018, by and among Limbach Holdings, Inc., Limbach Facility Services LLC, Limbach Holdings LLC, the other Guarantors party thereto, the Lenders party thereto and Fifth Third Bank, as Administrative Agent and L/C Issuer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on March 26, 2018).</u></a>
<a href="#"><u>10.7</u></a>	<a href="#"><u>Security Agreement, dated as of July 20, 2016, by and among Limbach Facility Services LLC, the Company, the other debtors party thereto and Fifth Third Bank (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on July 26, 2016).</u></a>

<a href="#"><u>10.8</u></a>	<a href="#"><u>Copyright Collateral Agreement, dated as of July 20, 2016, by and between the Company and Fifth Third Bank (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on July 26, 2016).</u></a>
<a href="#"><u>10.9</u></a>	<a href="#"><u>Assumption and Supplement to Security Agreement, dated March 21, 2018, by and between Limbach Holdings, Inc. and Fifth Third Bank, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on March 26, 2018).</u></a>
<a href="#"><u>10.10</u></a>	<a href="#"><u>Limbach Holdings, Inc. Omnibus Incentive Plan (incorporated by reference to Annex C to the Company's Registration Statement on Form S-4 (File No. 333-210772) filed with the U.S. Securities and Exchange Commission on June 16, 2016).</u></a>
<a href="#"><u>10.11*</u></a>	<a href="#"><u>Form of Inaugural Time-Based and Performance-Based Restricted Stock Unit Agreement for Executives (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on September 6, 2017).</u></a>
<a href="#"><u>10.12*</u></a>	<a href="#"><u>Form of Long-Term Incentive (Ongoing) Time-Based and Performance-Based Restricted Stock Unit Agreement for Executives (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on September 6, 2017).</u></a>
<a href="#"><u>10.13*</u></a>	<a href="#"><u>Form of Restricted Stock Unit Agreement for Non-Executive Employees (Time-Vested) (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on September 6, 2017).</u></a>
<a href="#"><u>10.14*</u></a>	<a href="#"><u>Form of Annual Restricted Stock Unit Agreement for Non-Employee Directors (Time-Vested) (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on September 6, 2017).</u></a>
<a href="#"><u>10.15*</u></a>	<a href="#"><u>Employment Agreement, dated as of March 23, 2016, by and between the Company and Charles A. Bacon, III (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 001-36541), filed with the U.S. Securities and Exchange Commission on March 29, 2016).</u></a>
<a href="#"><u>10.16*</u></a>	<a href="#"><u>Offer Letter, dated March 18, 2015, by and between the Company and John T. Jordan, Jr. (incorporated by reference to Exhibit 10.14 to the Company's Registration Statement on Form S-1 (File No. 333-214838) filed with the U.S. Securities and Exchange Commission on November 30, 2016).</u></a>
<a href="#"><u>10.17*</u></a>	<a href="#"><u>Promotion Letter, dated April 24, 2015, by and between the Company and Kristopher Thorne (incorporated by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (333-214838) filed with the U.S. Securities and Exchange Commission on November 30, 2016).</u></a>
<a href="#"><u>10.18*</u></a>	<a href="#"><u>Non-Employee Director Compensation Policy (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K (File No. 001-36541) filed with the U.S. Securities and Exchange Commission on July 26, 2016).</u></a>
<a href="#"><u>10.19</u></a>	<a href="#"><u>Fourth Amendment to Credit Agreement, dated May 15, 2018, by and among Limbach Facility Services LLC, Limbach Holdings LLC, the other Guarantors party thereto, the Lenders party thereto and Fifth Third Bank, as Administrative Agent and L/C Issuer.</u></a>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of the Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.2</u></a>	<a href="#"><u>Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Document.

\* Management contract of compensatory plan or arrangement.

## SIGNATURES

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

### **LIMBACH HOLDINGS, INC.**

/s/ Charles A. Bacon, III

Charles A. Bacon, III  
Chief Executive Officer  
(principal executive officer)

/s/ John T. Jordan, Jr.

John T. Jordan, Jr.  
Chief Financial Officer  
(principal financial and accounting officer)

Date: May 15, 2018



**Fourth Amendment To Credit Agreement And Limited Waiver**

This Fourth Amendment to Credit Agreement and Limited Waiver (herein, this "*Amendment*") is entered into as of May 15, 2018 (the "*Fourth Amendment Effective Date*"), by and among Limbach Facility Services LLC, a Delaware limited liability company (the "*Borrower*"), Limbach Holdings LLC, a Delaware limited liability company (the "*Parent*"), the other Guarantors party hereto, the Lenders party hereto, and Fifth Third Bank, an Ohio banking corporation, as Administrative Agent and L/C Issuer.

**Recitals:**

A. The Borrower, the Parent, the other Guarantors party thereto, the Lenders party thereto, and the Administrative Agent are party to a Credit Agreement dated as of July 20, 2016 (as amended, modified, restated, or supplemented from time to time, the "*Credit Agreement*").

B. The Borrower has advised the Administrative Agent and the Lenders that Limbach, Inc. and its Subsidiaries failed to maintain a Senior Leverage Ratio of less than 2.75 to 1.00 on March 31, 2018, as required by Section 6.20(b) of the Credit Agreement (the "*Financial Covenant Violation*"). The Borrower has requested that the Administrative Agent and the Required Lenders waive the Financial Covenant Violation, and the Administrative Agent and the Required Lenders have agreed to such request pursuant to the terms and conditions set forth herein.

C. The Borrower, the Administrative Agent and the Required Lenders have also agreed to make certain amendments to the Credit Agreement pursuant to the terms and conditions set forth herein.

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**Section 1. Incorporation of Recitals; Defined Terms.**

The Borrower and the Guarantors acknowledge that the Recitals set forth above are true and correct. This Amendment shall constitute a Loan Document, and the Recitals shall be construed as part of this Amendment. Each capitalized term used but not otherwise defined herein, including capitalized terms used in the introductory paragraph hereof and the Recitals, has the meaning assigned to it in the Credit Agreement.

**Section 2. Limited Waiver.**

2.1. *Limited Waiver.* Upon satisfaction of the conditions precedent set forth in Section 4 below and subject to the terms hereof, the Administrative Agent and the Required Lenders party hereto waive the Financial Covenant Violation and any Defaults or Events of Default arising solely from the Financial Covenant Violation. The Borrower acknowledges that the waiver under this Section 2.1 is specifically limited to the terms hereof, is a one-time waiver, and shall not be deemed to be a waiver of any Defaults or Events of Default other than those arising solely in respect of the Financial Covenant Violation. The Borrower further acknowledges that, in granting this limited waiver, the Administrative Agent and the Required Lenders are relying on Limbach, Inc.'s March 31, 2018 compliance certificate certifying that the Senior Leverage Ratio on March 31, 2018 was 3.01 to 1.00.

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2.2. *Scope.* This limited waiver and consent shall be limited specifically as written herein and shall be solely a consent and waiver as provided herein. This Amendment shall not constitute a consent to any other transactions prohibited by the Credit Agreement or any other Loan Document, nor shall this Section 2 be a waiver or modification of any other term, provision or condition of the Credit Agreement or any other Loan Document.

Section 3. Amendments.

Upon satisfaction of the conditions precedent set forth in Section 4 hereof, the Credit Agreement shall be and hereby is amended as follows:

3.1. Clause (k) of Section 6.1 of the Credit Agreement shall be amended and restated to read in its entirety as follows:

( k ) *Monthly Board Reports, Work in Process Reports and Accounts Payable Reports.* (i) A copy of each “Monthly Board Report” prepared for the board of directors of Limbach, Inc. and relating to key performance indicators, which report shall be prepared and distributed no less than monthly, promptly upon distribution of such report to the board of directors of Limbach, Inc., and (ii) at the time of distribution of each Monthly Board Report to the Administrative Agent, (A) a work in process report of Limbach, Inc. and its Subsidiaries and (B) an accounts payable report of Limbach, Inc. and its Subsidiaries, in each case, as at the end of the fiscal month most recently ended and in form and substance reasonably acceptable to the Administrative Agent.

3.2. Section 6.1 of the Credit Agreement shall be amended to add a new clause (m) to the end thereof to read in its entirety as follows:

( m ) *Monthly Cash Flow Schedules.* Within fifteen (15) days after the end of each fiscal month of Limbach, Inc., a cash flow schedule of Limbach, Inc. and its Subsidiaries as at the end of such fiscal month in form and substance reasonably acceptable to the Administrative Agent; *provided*, that the Administrative Agent may require that such cash flow schedules be delivered more frequently in its sole discretion.

3.3. Clause (c) of Section 6.20 of the Credit Agreement shall be amended to add a proviso to the end thereof to read in its entirety as follows:

; *provided*, that for the fiscal quarter ending June 30, 2018, Limbach, Inc. and its Subsidiaries shall maintain a Fixed Charge Coverage Ratio of not less than 1.15:1.00.

Section 4. Conditions Precedent.

The effectiveness of this Amendment is subject to the satisfaction of all of the following conditions precedent:

4.1. The Borrower, the Guarantors, the Required Lenders and the Administrative Agent shall have executed and delivered this Amendment.

4.2. The Administrative Agent shall have received, for the account of each Lender that has executed and delivered this Amendment on or prior to the Fourth Amendment Effective Date (each, a "*Consenting Lender*"), an amendment fee in an amount equal to the product of (a) 0.125% multiplied by (b) the sum of such Consenting Lender's outstanding Term Loans, outstanding Bridge Term Loans, and Revolving Credit Commitment on the Fourth Amendment Effective Date, which amendment fee shall be fully-earned when due and non-refundable when paid.

4.3. Legal matters incident to the execution and delivery of this Amendment shall be satisfactory to the Administrative Agent and its counsel.

Section 5. Affirmation of Guarantors.

Each Guarantor hereby confirms that, after giving effect to this Amendment, each Loan Document to which such Guarantor is a party continues in full force and effect and is the legal, valid and binding obligation of such Guarantor, enforceable against such Guarantor in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability. The Borrower and each Guarantor acknowledge and agree that (a) nothing in the Credit Agreement, this Amendment, or any other Loan Document shall be deemed to require the consent of such Guarantor to any future amendments to the Credit Agreement and (b) the Lenders are relying on the assurances provided in this Section in entering into this Amendment and maintaining credit outstanding to the Borrower.

Section 6. Acknowledgement of Liens.

The Borrower and the Guarantors hereby acknowledge, confirm and agree that the Administrative Agent has a valid, enforceable and perfected first-priority lien upon and security interest in the Collateral granted to the Administrative Agent pursuant to the Loan Documents (subject only to Permitted Liens), and nothing herein contained shall in any manner affect or impair the priority of the Liens created and provided for thereby as to the indebtedness, obligations, and liabilities which would be secured thereby prior to giving effect to this Amendment.

Section 7. Representations and Warranties of Borrower and Guarantors.

To induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower and the Guarantors hereby represent and warrant to the Administrative Agent and the Lenders that, as of the date hereof, (a) after giving effect to this Amendment, the representations and warranties set forth in Section 5 of the Credit Agreement and in the other Loan Documents, including this Amendment, are and shall remain true and correct (or, in the case of any representation or warranty not qualified as to materiality, true and correct in all material respects), except to the extent the same expressly relate to an earlier date (and in such case shall be true and correct (or, in the case of any representation or warranty not qualified as to materiality, true and correct in all material respects) as of such earlier date), (b) no Default or Event of Default exists or shall result after giving effect to this Amendment, and (c) the Borrower and each Guarantor has the power and authority to execute, deliver, and perform this Amendment and have taken all necessary action to authorize their execution, delivery, and performance of this Amendment.

Section 8. Miscellaneous.

8.1. This Amendment shall be binding on and shall inure to the benefit of the Borrower, the Guarantors, the Administrative Agent, the Lenders, and the L/C Issuer, and their respective successors and assigns. The terms and provisions of this Amendment are for the purpose of defining the relative rights and obligations of the Borrower, the Guarantors, the Administrative Agent, the Lenders, and the L/C Issuer with respect to the transactions contemplated hereby, and there shall be no third-party beneficiaries of any of the terms and provisions of this Amendment.

8.2. This Amendment constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other understandings, oral or written, with respect to the subject matter hereof. Except as specifically waived and amended hereby, all of the terms and conditions set forth in the Credit Agreement shall stand and remain unchanged and in full force and effect.

8.3. Section and sub-section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8.4. Wherever possible, each provision of this Amendment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

8.5. Except as otherwise provided in this Amendment, if any provision contained in this Amendment is in conflict with, or inconsistent with, any provision in any of the Loan Documents, the provision contained in this Amendment shall govern and control.

8.6. This Amendment may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement. Delivery of an executed signature page to this Amendment by facsimile transmission or by e-mail transmission of an Adobe portable document format file (also known as a "PDF" file) shall be effective as delivery of a manually executed counterpart hereof.

8.7. The provisions contained in Sections 10.14 (Governing Law; Jurisdiction; Etc.) and 10.20 (Waiver of Jury Trial) of the Credit Agreement are incorporated herein by reference to the same extent as if reproduced herein in their entirety, except with reference to this Amendment rather than the Credit Agreement.

[Signature Pages to Follow]

In Witness Whereof, the parties hereto have caused their duly authorized officers to execute and deliver this Amendment as of the date first set forth above.

*"Borrower"*

Limbach Facility Services LLC

By /s/ John T. Jordan, Jr.

Name: John T. Jordan, Jr.

Title: EVP/CFO

[Signature Page To Fourth Amendment To Credit Agreement And Limited Waiver]

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*“Guarantors”*

Limbach Holdings, Inc.

By /s/ John T. Jordan, Jr.  
Name: John T. Jordan, Jr.  
Title: EVP/CFO

Limbach Holdings LLC

By /s/ John T. Jordan, Jr.  
Name: John T. Jordan, Jr.  
Title: EVP/CFO

Limbach Company LLC

By /s/ John T. Jordan, Jr.  
Name: John T. Jordan, Jr.  
Title: EVP/CFO

Harper Limbach LLC

By /s/ John T. Jordan, Jr.  
Name: John T. Jordan, Jr.  
Title: EVP/CFO

Limbach Company LP

By /s/ John T. Jordan, Jr.  
Name: John T. Jordan, Jr.  
Title: EVP/CFO

Harper Limbach Construction LLC

By /s/ John T. Jordan, Jr.  
Name: John T. Jordan, Jr.  
Title: EVP/CFO

[Signature Page to Fourth Amendment to Credit Agreement and Limited Waiver]

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*"Lenders"*

Fifth Third Bank, an Ohio banking  
corporation, as a Lender, as L/C Issuer, and as Administrative Agent

By /s/ S. Bradley McDougall  
Name: S. Bradley McDougall  
Title: Vice President

[Signature Page to Fourth Amendment to Credit Agreement and Limited Waiver]

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CIBC Bank USA, formally known as The  
private Bank and Trust Company, as a Lender

By /s/ David L. Sauerman

Name David L. Sauerman

Title Managing Director

[Signature Page to Fourth Amendment to Credit Agreement and Limited Waiver]

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Wheaton Bank & Trust Company, as a  
Lender

By /s/ Christopher Van Tassel  
Name Christopher Van Tassel  
Title Vice President

[Signature Page to Fourth Amendment to Credit Agreement and Limited Waiver]

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Citizens Bank Of Pennsylvania, as a Lender

By /s/ John J. Ligday, Jr

Name John J. Ligday, Jr

Title Senior Vice President

[Signature Page to Fourth Amendment to Credit Agreement and Limited Waiver]

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**CERTIFICATION PURSUANT TO SECTION 302  
CERTIFICATION OF CEO**

**I, Charles A. Bacon, III, certify that:**

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of Limbach Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Charles A. Bacon, III  
Charles A. Bacon, III  
Chief Executive Officer

Date: May 15, 2018

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**CERTIFICATION PURSUANT TO SECTION 302  
CERTIFICATION OF CFO**

**I, John T. Jordan, Jr., certify that:**

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of Limbach Holdings, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ John T. Jordan, Jr.  
John T. Jordan, Jr.  
Chief Financial Officer

Date: May 15, 2018

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**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Limbach Holdings, Inc. (the "Company") for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Charles A. Bacon, III, the Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2018

By /s/ Charles A. Bacon, III

Charles A. Bacon, III, Chief Executive Officer

(Principal Executive Officer)

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**CERTIFICATION PURSUANT TO**

**18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO**

**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Limbach Holdings, Inc. (the "Company") for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned John T. Jordan, Jr., the Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or 78o(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2018

By /s/ John T. Jordan, Jr.

John T. Jordan, Jr., Chief Financial Officer

(Principal Financial Officer)

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