

**ALUMIL FABRICATION INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

ALUMIL FABRICATION INC.

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INDEPENDENT AUDITORS' REPORT

To The Stockholders  
Alumil Fabrication Inc.

We have audited the accompanying financial statements of Alumil Fabrication Inc., which comprise the balance sheet at December 31, 2017, and the related statements of operations and accumulated deficit, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alumil Fabrication Inc. at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred a substantial loss from operations and had negative cash flows from operating activities for the year ended December 31, 2017. The Company's operating plan indicates that it will continue to generate negative cash flows from operating activities and continue to look to its affiliated company, Alumil S.A. for further cash infusions. These liquidity risks raise substantial doubt about the Company's ability to meet its obligations as they become due within one year after the date of this report and continue as a going concern. Management's plans in regards to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinion is not modified with respect to this matter.

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAs, P.C.

Park Ridge, New Jersey  
April 10, 2018

ALUMIL FABRICATION INC.  
BALANCE SHEET  
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 78,958
Contract receivables	4,392,592
Inventory	41,290
Costs and estimated earnings in excess of billings on uncompleted contracts	3,582,564
Prepaid expenses and other current assets	<u>33,052</u>

Total Current Assets 8,128,456

PROPERTY AND EQUIPMENT, NET 811,878

OTHER ASSETS:

Security deposits	<u>57,342</u>
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Total Assets \$ 8,997,676

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

ALUMIL FABRICATION INC.  
BALANCE SHEET  
DECEMBER 31, 2017

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Line of credit	\$ 100,000
Accounts payable and accrued expenses	3,048,442
Billings in excess of costs and estimated earnings on uncompleted contracts	1,634,154
Loan payable - affiliate	<u>850,000</u>

Total Current Liabilities 5,632,596

OTHER LIABILITIES:

Loan payable - parent company	<u>5,243,470</u>
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Total Liabilities 10,876,066

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' DEFICIT:

Common stock, no par value, 1,000 shares authorized; 690 shares issued and outstanding	700,000
Accumulated deficit	<u>(2,578,390)</u>

Total Stockholders' Deficit (1,878,390)

Total Liabilities and Stockholders' Deficit \$ 8,997,676

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

ALUMIL FABRICATION INC.  
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 2017

CONTRACT REVENUES	\$ 16,540,376
CONTRACT COSTS	<u>14,572,322</u>
GROSS PROFIT	1,968,054
GENERAL AND ADMINISTRATIVE EXPENSES	<u>3,942,064</u>
LOSS FROM OPERATIONS	<u>(1,974,010)</u>
OTHER INCOME (EXPENSE):	
Other income	17,723
Interest income	31
Loss on foreign exchange	(572,196)
Interest expense	<u>(227,871)</u>
Total Other Expense	<u>(782,313)</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	(2,756,323)
PROVISION FOR INCOME TAXES	<u>6,614</u>
NET LOSS	(2,762,937)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>184,547</u>
ACCUMULATED DEFICIT, END OF YEAR	<u><u>\$ (2,578,390)</u></u>

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

ALUMIL FABRICATION INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss \$ (2,762,937)

Adjustments to reconcile net loss to net cash used in operating activities:

Depreciation and amortization 124,262  
Write-off of advances to affiliate 1,280,887

Changes in Operating Assets and Liabilities:

Contract receivables (3,128,610)  
Costs and estimated earnings in excess of billings  
on uncompleted contracts (2,487,408)  
Inventory 166,532  
Prepaid expenses and other current assets (33,052)  
Collections on advances to affiliates 767,388  
Accounts payable and accrued expenses 1,097,454  
Billings in excess of costs and estimated earnings  
on uncompleted contracts 1,175,598  
Loan payable - affiliate 2,511,073

Total Adjustments 1,474,124

NET CASH USED IN OPERATING ACTIVITIES (1,288,813)

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment (218,628)

NET CASH PROVIDED BY INVESTING ACTIVITIES (218,628)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from line of credit 100,000  
Advances from loan payable - affiliates 850,000

NET CASH PROVIDED BY FINANCING ACTIVITIES 950,000

LOSS ON FOREIGN EXCHANGE 572,196

NET INCREASE IN CASH AND CASH EQUIVALENTS 14,755

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 64,203

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 78,958

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest \$ 227,871  
Taxes \$ 5,234

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



ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 1 - Nature of Operations

Business Activity

Alumil Fabrication Inc. (the "Company") was formed as a "C" Corporation under the laws of the State of New York in 2013. The Company serves as a manufacturing contractor of aluminum window and door systems in the construction of multi-family residential and commercial properties. The Company keeps its office and manufacturing facility in the New York metropolitan area, and currently conducts its business in the New York metropolitan area, other major U.S. cities and Canada. Work is performed primarily under fixed-price contracts. The length of the Company's contracts varies, but typically is less than two years.

Going Concern, Liquidity, and Management's Plan

The Company incurred a substantial loss from operations, had negative cash flows from operating activities and negative working capital for the year ended December 31, 2017. These liquidity risks raised substantial doubt about whether the Company will meet its obligations as they become due within one year after the date of the report.

The accompanying financial statements are prepared on a going concern basis and do not include any adjustments that might result from uncertainty about the Company's ability to continue as a going concern. The Company is working to improve its operating performance and its cash, liquidity and financial position. This includes: continued pursuit of a capital lender and inventor for long-term cash infusion, continued growth of additional North American contract work with the continued cash flow support from the parent company, Alumil S.A. As part of this plan, Alumil S.A. has restructured the entire amount due to them, in the amount of \$5,243,470, as a subsequent event, see Note 16, reducing the negative cash flows from operations.

However, there can be no assurance that management's plan to improve the Company's operating performance and financial position will be successful or that the Company will be able to obtain additional financing on commercially reasonable terms or at all. As a result, the Company's liquidity and ability to timely pay its obligations when due could be adversely affected. Furthermore, the Company's creditors may resist renegotiation or lengthening of payment and other terms, or could seek shorter payment terms, through legal action or otherwise. If the Company is not able to timely, successfully or efficiently implement the strategies that it is pursuing to improve its operating performance and financial position, obtain alternative sources of capital or otherwise meet its liquidity needs, the Company may need to voluntarily seek protection under Chapter 11 of the U.S. Bankruptcy Code.

In August 2014, the Financial Accounting Standards Board ("FASB") issued disclosure guidance that requires management to evaluate, at each annual and interim reporting period, whether substantial doubt exists about an entity's ability to continue as a going concern and, if applicable, to provide related disclosures. As outlined by that guidance, substantial doubt about an entity's ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or are available to be issued). The Company adopted this new guidance for the year ended December 31, 2016.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies

Revenue and Cost Recognition

Revenues from fixed-price, long-term construction contracts are recognized under the percentage of completion method. Under this method, progress towards completion is recognized according to the percentage of incurred costs to estimated total costs. This method is used because management considers the "cost to cost" method the most appropriate in the circumstances. Revenues from utility interference work are added to the contract from which they are generated.

Contract costs include all direct material and labor costs and all other direct and indirect costs related to contract performance. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Because of the inherent uncertainty in estimating the cost to complete on contracts in process, it is at least reasonably possible that the estimates used will change in the near term.

The Asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The Liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

In accordance with normal construction industry practice, the Company includes in current assets and current liabilities, retainage amounts, receivables and payables under construction contracts, which may extend beyond one year.

Contract Receivables

The Company carries its contract receivables at cost. The Company estimates that an allowance for doubtful accounts is not needed based upon a review of outstanding receivables and historical collection information by customer. Normally, contract receivables are due within 30 days after the date of the requisition. Contract retentions are generally due within 30 days after completion of the project and acceptance by the owner. Where the contract provides for guarantee retainage provisions, such retainage is generally due within one year of completion and acceptance of the project. Receivables more than 90 days old are considered past due. Contract receivables are written off when they are determined to be uncollectible. The Company does not accrue interest on past due receivables.

Inventory

Inventory, consisting of raw materials and components used in window and door production, is valued at the lower of cost or net realizable value, with cost determined using the average cost method, and with net realizable value defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets, using both straight-line and accelerated methods, ranging from 5 to 39 years.

Maintenance and repairs are charged to expense as incurred; major renewals or improvements are capitalized. On sale or retirement of property and equipment, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of current operations.

Impairment of Long-Lived Assets

Long-lived assets to be held and used are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When required, impairment losses are recognized based on the excess of the asset's carrying amount over the fair value of the asset. For the year ended December 31, 2017, there were no indications of impairment.

Income Taxes

Accounting for uncertainties in income taxes recognized in a company's financial statements is based on the company's assessment of probable income tax related exposures and the anticipated settlement of those exposures resulting in actual liabilities. As of December 31, 2017, the Company does not believe it has any uncertain tax positions that would qualify for either recognition or disclosure in the financial statements.

The income tax returns for the years 2014 through 2016 are subject to examination by the federal, state and local income tax authorities.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with original maturities of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Expenses

Advertising is expensed as incurred. For the year ended December 31, 2017, advertising expense was \$44,770.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Foreign Currency Transactions

The Company has foreign currency exposure arising from purchases of its materials, used in manufacturing its windows and doors, as they primarily purchase materials from their foreign corporate shareholder, a producer of materials and components used in the production of windows and doors.

The Company's business operations are exposed to foreign currency exchange rates and commodity prices with its affiliate. Changes in these rates and prices may have an impact in future cash flows and earnings. The Company manages these risks through normal operating and financing activities with its affiliate.

Foreign currency gains and losses arising from the translation of payables with the Company's international affiliate are recorded as a component of other income or expense, net, unless the payable is considered long-term in nature, in which case the foreign currency gains and losses are recorded as a component of comprehensive income or loss. Net realized foreign exchange transaction losses included in other income and expense are \$572,196 for the year ended December 31, 2017.

Change in Accounting Policy

In July 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-11, *Inventory - Simplifying the Measurement of Inventory (Topic 330)*. This ASU requires an entity to measure inventory within the scope of the update at the lower of cost and net realizable value, and defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

The amendments in this ASU were effective for fiscal years beginning after December 15, 2016, thus the Company adopted this ASU on a prospective basis as of January 1, 2017. The adoption did not have a material effect on the financial position or results of operations

New Accounting Pronouncements

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2016-02 (cont'd.)

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted for all entities.

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and for IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted under certain circumstances.

The Company has not yet determined if these ASUs will have a material effect on its financial statements.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 3 - Contract Receivables

Contract receivables, net are summarized as follows:

BILLED:	
Completed contracts	\$ 139,245
Contracts in process	3,498,180
Retainage	755,167
	<u>4,392,592</u>
Less: Allowance for doubtful accounts	-
	<u>\$ 4,392,592</u>

Note 4 - Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings consisted of the following:

Contract costs incurred	\$ 21,592,947
Estimated earnings	4,448,476
	<u>26,041,423</u>
Less: Billings to date	<u>24,093,013</u>
	<u>\$ 1,948,410</u>

Included in accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 3,582,564
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(1,634,154)</u>
	<u>\$ 1,948,410</u>

Note 5 - Property and Equipment

Property and equipment, net is summarized as follows:

Factory equipment	\$ 723,460
Leasehold improvements	323,947
Furniture	85,939
Computer equipment	51,072
	<u>1,184,418</u>
Less: Accumulated depreciation and amortization	<u>372,540</u>
	<u>\$ 811,878</u>

Depreciation and amortization expense related to property and equipment for the year ended December 31, 2017 was \$124,262.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 6 - Line of Credit

The Company has a \$100,000 line of credit with Key Bank. The line is secured by all of the assets of the Company. The interest rate is 6.25% and the line is due on demand. The amount outstanding as of December 31, 2017 was \$100,000.

Note 7 - Related Party Transactions

Loan Receivable - Affiliate

The Company had advanced funds to an entity affiliated by common management, Alumil N.A., in the amount of \$1,280,887. It was determined by management that the loan was uncollectible and therefore was written off as of December 31, 2017.

The Company absorbed \$2,226,977 in shared payroll, associated fringe benefits, office charges and miscellaneous expenses, paid for by Alumil N.A. on behalf of the Company. Additionally, Alumil N.A. is the plan sponsor of the 401(k) plan that the Company participates in (see Note 10).

Loan Payable - Affiliate, Current

The Company has a current loan payable to one of its foreign shareholders in the amount of \$850,000. The loan is unsecured and bears interest at .75% per annum and is due on December 31, 2018. The Company can repay the loan at any time prior to its due date by giving ten days' advance written notice.

Loan Payable - Parent Company

The Company purchased materials, consisting of parts and components used in the production of windows and doors from the parent corporate shareholder of the Company, totaling \$3,081,000 for the year ended December 31, 2017. The amount due to the parent company as of December 31, 2017 is \$5,243,470. The amount due to the parent was subsequently restructured as further detailed in Note 16.

Note 8 - Accumulated Other Comprehensive Income

At December 31, 2017, accumulated other comprehensive income consisted of unrealized (loss) gain on foreign currency translation as follows:

Balance, beginning of year	\$ (30,177)
Current period change	<u>30,177</u>
Balance, end of year	<u><u>\$ -</u></u>

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 9 - Provision for Income Taxes

The provision for income taxes is summarized as follows:

Current:

State and local	\$ <u>6,614</u>
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The Company files its tax returns using the percentage of completion method. During the year ended December 31, 2017, the Company incurred a net operating loss of approximately \$2,800,000. A deferred tax asset was not recorded since the Company did not have evidence to support the assertion that it is more likely than not that the Company will have sufficient taxable income to take advantage of the future deductions.

The Company files income tax returns in the U.S. federal and State of New York and New York City jurisdictions. The tax years of 2014 to 2016 are subject to examination by the taxing authorities.

The Company performed an analysis of all open tax years, 2014 to 2016, and the expected tax positions to be taken at the balance sheet date. The Company did not identify any uncertain tax positions requiring recognition and disclosure in these financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act ("TCJA") was signed into law. This legislation significantly changed U.S. tax law by, among other things, lowering the U.S. federal corporate income tax rate from a maximum of 35% to a flat 21% rate effective January 1, 2018. The Company remeasured domestic deferred tax assets and liabilities as of December 31, 2017 based upon the expected future applicable tax rate; however, it did not recognize any income tax expense in its 2017 statement of operations as a result of the remeasurement as the valuation allowance already reduces the net deferred tax asset to zero.

The Company is analyzing certain aspects of the TCJA and refining its calculations of cumulative timing differences, which potentially could give rise to deferred tax amounts. The Company's calculations also could be impacted by the issuance of future guidance clarifying certain aspects of the TCJA and by state legislative decisions regarding conformity to federal law. U.S. GAAP requires that the effects of tax rate changes be recorded as a component of tax expense from continuing operations in the year of enactment.

Note 10 - Retirement Plans

The Company participates in a 401(k) defined contribution plan and profit sharing plan of an affiliate, (see Note 7), for all employees meeting certain eligibility requirements and not covered by a collective bargaining agreement. Employees may contribute a percentage of their compensation up to annual statutory limits. The plan provides for discretionary matching contributions by the Company up to 100% of the first 3% of employee contributions. For the year ended December 31, 2017, the Company made contributions totaling \$20,478.



ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 11 - Commitments and Contingencies

Operating Leases

The Company leases office, warehouse and manufacturing space in Newburgh, New York. The lease is a sublease agreement with the landlord and sub-landlord for a term of sixty-nine (69) months commencing May 2016 and ending February 2022, with monthly rent at \$28,646. The Company also rents additional office space on a month-to-month basis at approximately \$3,800 per month. The Company also leases warehouse equipment on a month-to-month basis at approximately \$940 per month. Rent expense related to the leases for the year ended December 31, 2017 was \$386,399, of which \$321,258 is included in other direct costs in contract costs and \$65,141 is included in general and administrative expenses.

At December 31, 2017, the future minimum lease payments under the terms of the lease agreements are as follows:

Years Ending December 31:

2018	\$ 385,296
2019	379,626
2020	379,626
2021	375,773
2022	<u>60,021</u>
	<u>\$ 1,580,342</u>

Surety

The Company is contingently liable to a surety under a general indemnity agreement, whereby the Company agrees to indemnify the surety for any payments made on contracts. Management believes that all contingent liabilities will be satisfied by their performance on the specific bonded contracts involved.

Litigation

The Company is involved in various legal proceedings and litigation arising in the ordinary course of business. In the opinion of management and legal counsel, the outcome of such proceedings and litigation will not have a material adverse effect on the Company's financial statements.

Note 12 - Risk of Loss

The Company maintains cash and cash equivalent balances at a financial institution which balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. From time to time, the Company's balances may exceed this limit.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 13 - Major Customers

The Company performs work on contracts issued by various state and local government agencies and authorities, contractors and subcontractors. Revenue derived from any one of these contracts may, at times, be material to the Company's annual revenue.

For the year ended December 31, 2017, one customer represented approximately 56% of the Company's revenue and approximately 57% of the Company's accounts receivable.

Note 14 - Concentration of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist principally of trade accounts receivable. The Company operates principally in the construction industry and grants credit terms in the normal course of business to its customers which are located primarily in the New York metropolitan area. As part of its ongoing control procedures, the Company monitors the creditworthiness of its customers. The Company does not generally require collateral or other security to support credit sales.

Note 15 - Backlog

The following schedule shows a reconciliation of the backlog representing the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts in process at December 31, 2017 and from contractual agreements on which work has not yet begun.

Balance, January 1, 2017	\$ 27,688,828
Contract adjustments	(6,946,559)
Contract revenues for new contracts for the year ended December 31, 2017	<u>8,268,252</u>
	29,010,521
Less: Contract revenues	<u>16,540,376</u>
Balance, December 31, 2017	<u>\$ 12,470,145</u>

Note 16 - Subsequent Events

The Company has evaluated all events or transactions that occurred after December 31, 2017 through April 10, 2018, which is the date that these financial statements were available to be issued. As of March 20, 2018, the Company has entered into an agreement with its parent company, Alumil S.A., to restructure current liabilities in the amount of \$5,243,470, as a long-term payable. Terms of the agreement are repayment terms beginning in January 2019, of forty-eight (48) installment payments of \$117,827 (€98,140), including interest of 2.54% calculated from December 31, 2017. As part of the agreement, the Company has agreed to maintain and keep current all future monies rendered for payment for goods received from Alumil S.A. The loan is unsecured.

ALUMIL FABRICATION INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 16 - Subsequent Events (cont'd.)

At December 31, 2017, the future minimum payments under the terms of the loan agreement are as follows:

Years Ending December 31:

2019	\$ 1,163,448
2020	1,325,649
2021	1,359,718
2022	<u>1,394,655</u>
	<u>\$ 5,243,470</u>

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To The Stockholders  
Alumil Fabrication Inc.

We have audited the financial statements of Alumil Fabrication Inc. at December 31, 2017 and for the year then ended, and our report thereon dated April 10, 2018, which expressed an unmodified opinion on those financial statements, appears on pages one and two. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of earnings from contracts, schedule of contracts completed, schedule of contracts in process, schedule of contract costs, and the schedule of general and administrative expenses, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAs, P.C

Park Ridge, New Jersey  
April 10, 2018

ALUMIL FABRICATION INC.  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EARNINGS FROM CONTRACTS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Contract Revenues</u>	<u>Contract Costs</u>	<u>Gross Profit</u>
CONTRACTS COMPLETED DURING THE YEAR	\$ 976,712	\$ 834,841	\$ 141,871
CONTRACTS IN PROCESS	<u>15,563,664</u>	<u>13,737,481</u>	<u>1,826,183</u>
	<u>\$ 16,540,376</u>	<u>\$ 14,572,322</u>	<u>\$ 1,968,054</u>

See independent auditors' report on supplementary information.

ALUMIL FABRICATION INC.  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRACTS COMPLETED  
DURING THE YEAR ENDED DECEMBER 31, 2017

	Contract Totals			Prior to January 1, 2017			During the Year Ended December 31, 2017		
	Contract Revenues	Contract Costs	Gross Profit (Loss)	Contract Revenues	Contract Costs	Gross Profit	Contract Revenues	Contract Costs	Gross Profit (Loss)
19 DUNCAN - MOCKUP	\$ 275,000	\$ 275,000	\$ 0	\$ 101,792	\$ 77,806	\$ 23,986	\$ 173,208	\$ 197,194	\$ (23,986)
1701 PENDRELL - MOCKUP	153,288	14,754	138,534	0	0	0	153,288	14,754	138,534
SKYLINE RESTORATION	543,428	456,978	86,450	197,249	111,161	86,088	346,179	345,817	362
UNIVERSITY OF CHICAGO	229,400	287,315	(57,915)	138,457	102,406	36,051	90,943	184,909	(93,966)
156 TILLARY STREET	118,272	78,686	39,586	5,735	3,995	1,740	112,537	74,691	37,846
MISCELLANEOUS	100,557	17,476	83,081	0	0	0	100,557	17,476	83,081
	<u>\$ 1,419,945</u>	<u>\$ 1,130,209</u>	<u>\$ 289,736</u>	<u>\$ 443,233</u>	<u>\$ 295,368</u>	<u>\$ 147,865</u>	<u>\$ 976,712</u>	<u>\$ 834,841</u>	<u>\$ 141,871</u>

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ALUMIL FABRICATION INC.  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRACTS IN PROCESS  
AT DECEMBER 31, 2017

	Total Contract		From Inception to June 30, 2017				At December 31, 2017			For the Year Ended December 31, 2017			Management Estimates		
	Contract Price	Estimated Gross Profit	Contract Revenues	Contract Costs	Gross Profit	Percent Complete	Contract Billings to Date	Costs and Estimated Earnings in Excess of Billings	Billings in Excess of Estimated Earnings	Contract Revenues	Contract Costs	Gross Profit (Loss)	Work Load Remaining	Cost to Complete	Future Gross Profit
CHELSEA CONDO	\$ 1,111,970	\$ 99,043	\$ 1,110,873	\$ 1,011,927	\$ 98,946	99.90%	\$ 1,049,488	\$ 61,385	\$ 0	\$ 914,149	\$ 860,145	\$ 54,004	\$ 1,097	\$ 1,000	\$ 97
NEXT CENTURY PLAZA	2,902,000	1,053,170	1,653,862	1,053,656	600,206	56.99%	1,538,813	115,049	0	1,653,862	1,053,656	600,206	1,248,138	795,174	452,964
PROJECT BUILDERS - 38-11 31ST STREET	509,272	137,979	5,755	4,196	1,559	1.13%	101,854	0	96,099	0	0	0	503,517	367,097	136,420
PROJECT BUILDERS - 36-27 31ST STREET	489,528	114,285	404,435	310,016	94,419	82.62%	465,300	0	60,865	(34,761)	(26,921)	(7,840)	85,093	65,227	19,866
STAR TOWER	6,854,490	954,490	6,749,567	5,809,688	939,879	98.47%	6,742,492	7,075	0	3,377,546	3,704,018	(326,472)	104,923	90,312	14,611
VANCOUVER HOUSE - BEACH & HOWE	1,472,000	372,000	522,108	390,162	131,946	35.47%	1,091,673	0	569,565	113,791	85,034	28,757	949,892	709,838	240,054
VERNON	6,093,804	1,110,532	6,008,021	4,913,122	1,094,899	98.59%	5,734,964	273,057	0	(24,641)	(20,150)	(4,491)	85,783	70,150	15,633
515 WEST 36TH STREET	14,000,000	2,130,610	9,371,579	7,945,352	1,426,227	66.94%	6,245,581	3,125,998	0	9,348,495	7,926,871	1,421,624	4,628,421	3,924,038	704,383
1700 PENDRELL HOLDINGS	2,694,304	283,490	42,353	37,896	4,457	1.57%	781,348	0	738,995	42,353	37,896	4,457	2,651,951	2,372,918	279,033
50 CLINTON STREET	66,500	33,670	64,948	32,064	32,884	97.67%	66,500	0	1,552	64,948	32,064	32,884	1,552	766	786
601 WASHINGTON STREET	2,317,700	495,107	107,922	84,868	23,054	4.66%	275,000	0	167,078	107,922	84,868	23,054	2,209,778	1,737,725	472,053
	<u>\$ 38,511,568</u>	<u>\$ 6,784,376</u>	<u>\$26,041,423</u>	<u>\$21,592,947</u>	<u>\$ 4,448,476</u>		<u>\$ 24,093,013</u>	<u>\$ 3,582,564</u>	<u>\$ 1,634,154</u>	<u>\$15,563,664</u>	<u>\$ 13,737,481</u>	<u>\$ 1,826,183</u>	<u>\$ 12,470,145</u>	<u>\$10,134,245</u>	<u>\$ 2,335,900</u>

See independent auditors' report on supplementary information.



ALUMIL FABRICATION INC.  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRACT COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

DIRECT LABOR	\$ 2,962,433
PROJECT MANAGEMENT	1,661,412
SUBCONTRACTORS	120,624
MATERIALS AND SUPPLIES	8,327,159
OTHER DIRECT COSTS	831,850
PAYROLL TAXES AND FRINGE BENEFITS	<u>668,844</u>
	<u>\$ 14,572,322</u>

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ALUMIL FABRICATION INC.  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

OFFICE SALARIES	\$	930,124
WRITE-OFF OF ADVANCES TO AFFILIATE		1,280,887
TRAVEL AND ENTERTAINMENT		296,065
INSURANCE		229,102
SHIPPING AND DELIVERY EXPENSE		185,631
CONSULTING		176,918
REPAIRS AND MAINTENANCE		151,762
DEPRECIATION AND AMORTIZATION		124,262
PROFESSIONAL FEES		107,416
AUTO AND TRUCK		78,174
RENT		65,141
OFFICE EXPENSE		61,250
COMPUTER EXPENSE		53,506
ADVERTISING		44,770
TELEPHONE		38,219
BANK CHARGES		37,912
PAYROLL TAXES		29,764
PENSION EXPENSE		20,478
POSTAGE		15,211
UTILITIES		5,882
PENALTIES		3,872
OTHER TAXES		3,365
DUES AND SUBSCRIPTIONS		1,458
DONATIONS		895
		895
	\$	3,942,064

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