AMTEC Precision Products, Inc. and Subsidiaries

Consolidated Financial Report

March 31, 2017

Contents

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Independent Auditor's Report

To the Stockholders and Board of Directors
AMTEC Precision Products, Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of AMTEC Precision Products, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of March 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMTEC Precision Products, Inc. and Subsidiaries as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 19, 2017

AMTEC Precision Products, Inc. and Subsidiaries

Consolidated Balance Sheet

March 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash	$ 161,167	$ 21,563
Accounts receivable	4,714,989	4,646,923
Inventory	4,563,855	5,071,657
Prepaid expenses	14,673	94,694
Total current assets	9,454,684	9,834,837
Property and Equipment - Net	10,720,437	11,924,459
Other Assets - Other noncurrent assets	244,356	236,979
Total assets	**$ 20,419,477**	**$ 21,996,275**
Liabilities and Stockholders' Deficit		
Current Liabilities		
Checks issued in excess of bank balance	$ 216,599	$ 443,011
Accounts payable	1,684,577	2,807,067
Bank line of credit	2,929,231	2,994,778
Current portion of long-term debt	704,967	8,382,511
Current portion of capital lease obligation	197,092	184,594
Accrued and other current liabilities:		
Accrued compensation	359,358	322,968
Deferred rent - Current portion	59,473	34,071
Customer deposits and advances	112,935	275,018
Other accrued liabilities	304,395	233,026
Total current liabilities	6,568,627	15,677,044
Long-term Debt - Bank notes payable - Net of current portion	3,760,579	4,508,690
Capital Lease Obligation - Net of current portion	336,276	471,205
Deferred Rent - Net of current portion	362,129	425,927
Other Long-term Liabilities		
Due to parent company - Accounts payable	4,464,532	4,416,700
Due to parent company	23,372,097	23,372,097
Total liabilities	38,864,240	48,871,663
Stockholders' Deficit		
Common stock	10	10
Additional paid-in capital	43,105,621	35,105,621
Accumulated deficit	(61,550,394)	(61,981,019)
Total stockholders' deficit	(18,444,763)	(26,875,388)
Total liabilities and stockholders' deficit	**$ 20,419,477**	**$ 21,996,275**

Consolidated Statement of Operations

Years Ended March 31, 2017 and 2016

	2017		2016	
	Amount	Percent of Net Sales	Amount	Percent of Net Sales
Net Sales	$ 33,765,713	100.0	$ 34,100,773	100.0
Cost of Goods Sold	30,968,725	91.7	32,176,759	94.4
Gross Profit	2,796,988	8.3	1,924,014	5.6
Operating Expenses	1,867,804	5.5	2,328,481	6.8
Operating Income (Loss)	929,184	2.8	(404,467)	(1.2)
Nonoperating Expense				
Interest expense	(485,282)	(1.4)	(711,363)	(2.1)
Other expense	(777)	-	(1,555)	-
Total nonoperating expense	(486,059)	(1.4)	(712,918)	(2.1)
Income (Loss) - Before income taxes	443,125	1.4	(1,117,385)	(3.3)
Income Tax Expense	12,500	-	-	-
Consolidated Net Income (Loss)	**$ 430,625**	**1.4**	**$ (1,117,385)**	**(3.3)**

See notes to consolidated financial statements.

AMTEC Precision Products, Inc. and Subsidiaries

Consolidated Statement of Stockholders' Equity (Deficit)

Years Ended March 31, 2017 and 2016

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - April 1, 2015 - As restated	$ 10	$ 35,105,621	$ (60,863,634)	$ (25,758,003)
Consolidated net loss	-	-	(1,117,385)	(1,117,385)
Balance - March 31, 2016	10	35,105,621	(61,981,019)	(26,875,388)
Consolidated net income	-	-	430,625	430,625
Contributions - Additional paid-in capital	-	8,000,000	-	8,000,000
Balance - March 31, 2017	**$ 10**	**$ 43,105,621**	**$ (61,550,394)**	**$ (18,444,763)**

AMTEC Precision Products, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Years Ended March 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Consolidated net income (loss)	$ 430,625	$ (1,117,385)
Adjustments to reconcile consolidated net income (loss) to net cash from operating activities:		
Depreciation and amortization	1,394,380	1,413,400
Allowance for doubtful accounts	-	110,779
Deferred rent	(38,396)	-
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(68,066)	(183,360)
Inventory	507,802	(91,511)
Other long-term assets	(7,377)	(76,366)
Prepaid expenses and other current assets	80,021	7,435
Accounts payable	(1,026,826)	104,799
Accrued and other liabilities	59,927	(5,435)
Customer deposits and advances	(162,083)	-
Net cash provided by operating activities	1,170,007	162,356
Cash Flows Used in Investing Activities - Purchase of property and equipment	(123,174)	(145,361)
Cash Flows from Financing Activities		
Net change in checks in excess of bank balance	(226,412)	140,498
Proceeds from debt	5,000,000	-
Payments on debt	(13,382,514)	-
Proceeds from revolving credit facilities	24,750,705	79,625
Payments on revolving credit facilities	(24,859,393)	(82,193)
Payments on capital lease obligations	(189,615)	(146,559)
Contributions of additional paid-in capital	8,000,000	-
Net cash used in financing activities	(907,229)	(8,629)
Net Increase in Cash	139,604	8,366
Cash - Beginning of year	21,563	13,197
Cash - End of year	**$ 161,167**	**$ 21,563**
Supplemental Cash Flow Information - Cash paid for interest	$ 469,820	$ 672,230
Significant Noncash Transactions - Financed equipment	67,184	-

See notes to consolidated financial statements.

Note 1 - Nature of Business

AMTEC Precision Products, Inc. (AMTEC or the "Company"), a Delaware corporation, is a wholly owned subsidiary of UCAL Fuel Systems Ltd (UCAL), a company incorporated in India. The accompanying consolidated financial statements include the consolidated results of AMTEC and its wholly owned subsidiaries, North American Acquisition Corporation (NAAC) and AMTEC Molded Products, Inc. (AMPI) as of March 31, 2017 and 2016, and for the years then ended. The Company's subsidiaries are manufacturers of precision metal and plastic products and assemblies, primarily serving the automotive, truck, and capital goods industries in the United States of America. Significant intercompany accounts and transactions have been eliminated in consolidation.

NAAC, a manufacturer of precision-machined components, and AMPI, a plastic injection molding company, operate out of two separate facilities located in Elgin, Illinois.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized by the Company when the customer or its representatives take ownership and assume the risk of loss (generally when shipped), collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sale price is fixed and determinable. Provisions for sales returns and other adjustments are provided in the same period the related sales are recorded.

Cash

The Company maintains cash balances in financial institutions that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. A receivable is considered past due if any portion of the receivable balance is outstanding more than 30 days after the due date. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was $169,355 and $197,415 as of March 31, 2017 and 2016, respectively. Recoveries of receivables previously written off are offset against bad debt expense when payments are received.

Inventory

Inventory is stated at the lower of cost or market, with cost determined on the first-in, first-out (FIFO) method. Work in progress and finished goods include the cost of materials, labor, and manufacturing overhead. Perishable tooling is recorded in inventory when purchased and charged to cost of sales when consumed in the manufacturing of the Company's products.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. Additions, major renewals, replacements, and betterments are capitalized; maintenance and repairs are charged to expense when incurred. Depreciation is computed primarily by using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the term of the respective lease or useful life, whichever is less. Amortization of the assets under capital lease is computed using the straight-line method over the estimated useful lives and is included in depreciation and amortization expense.

Impairment of Long-lived Assets

The Company reviews the recoverability of long-lived assets, including buildings, equipment, internal use software, and other intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Checks Issued in Excess of Bank Balance

By arrangement with its financial institution, collected funds are adjusted daily between the Company's checking account and the available line of credit. As a result of the Company's cash management system, checks issued but not presented for payment may create a negative book balance even though the bank balance remains positive. Such negative cash balances are classified in current liabilities.

Credit Risk, Major Customers and Suppliers, and Concentration

Sales are predominately to companies in the automobile industry located principally in the midwestern United States. The Company extends trade credit to its customers on terms that are generally practiced in the industry. Two major customers accounted for approximately 75 percent of accounts receivable and 71 percent of sales as of and for the year ended March 31, 2017. Two major customers accounted for approximately 79 percent of accounts receivable and 70 percent of sales as of and for the year ended March 31, 2016.

Shipping and Handling Costs

Shipping and handling costs charged to customers is included in net sales. Shipping and handling costs incurred by the Company are included in cost of goods sold.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for the tax effect of temporary differences between the basis of certain assets and liabilities for financial and income tax reporting purposes and for net operating loss carryforwards. Deferred taxes are primarily due to the differences in the basis of fixed assets resulting from the use of accelerated depreciation for income tax purposes, loss carryforwards, and certain reserves (inventory and receivables). The deferred tax assets and liabilities represent the future tax return consequences of those temporary differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when the probability of not being able to realize these assets is more likely than not.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Company's year ending March 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Company has not yet determined which application method it will use. Management has begun analyzing revenue streams that will be impacted. Provisions of the pronouncement may impact the Company's timing of revenue recognition. In addition, management is currently analyzing the disclosures that will be required with this pronouncement.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330) Related to Simplifying the Measurement of Inventory*, which applies to all inventory except inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is covered by the new guidance and should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments will be applied prospectively for fiscal years beginning after December 15, 2016. The Company is currently assessing the impact this new standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year ending March 31, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Company’s consolidated financial statements as a result of the leases for buildings and office space classified as operating leases. The effect of applying the new lease guidance is expected to increase long-term assets and lease liabilities upon adoption. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Reclassification

Certain 2016 amounts have been reclassified to conform to the 2017 presentation as detailed in Note 6.

Note 3 - Inventory

Inventory as of March 31, 2017 and 2016 consists of the following:

	2017	2016
Raw materials	$ 894,322	$ 1,050,748
Work in progress	1,227,475	1,522,063
Finished goods	334,635	420,190
Production supplies and replacement parts	2,004,102	1,993,663
Perishable tooling	577,329	559,001
Obsolescence reserve	(474,008)	(474,008)
Total inventory	$ 4,563,855	$ 5,071,657

Note 4 - Property and Equipment

Property and equipment as of March 31, 2017 and 2016 are summarized as follows:

	2017	2016	Depreciable Life - Years
Plant machinery and equipment	$ 32,523,165	$ 32,384,703	5-20
Leasehold improvements	1,477,661	1,459,088	10
Vehicles	81,248	75,266	3-5
Office computers and software	673,472	672,016	3
Office furniture and fixtures	93,252	93,252	5
Construction in process	5,528	43,834	5-20
Total cost	34,854,326	34,728,159	
Accumulated depreciation and amortization	24,133,889	22,803,700	
Net property and equipment	$ 10,720,437	$ 11,924,459	

Depreciation and amortization expense for the years ended March 31, 2017 and 2016 was $1,394,380 and $1,413,400, respectively.

Note 5 - Line of Credit

At March 31, 2016, the Company had a revolving line of credit agreement with a bank which allows for borrowings of up to $3,000,000. Borrowings were limited to formula based on working capital as defined in the line of credit agreement. The Company had outstanding borrowings of $2,994,778 as of March 31, 2016. Interest was payable monthly at a rate of 2.0 percent above three-month LIBOR (an effective rate of 3.15 percent as of March 31, 2016). The line of credit was collateralized by substantially all of the assets of the Company and was due on demand. The bank debt was refinanced in July 2016 with another bank as noted below.

On July 6, 2016, the Company refinanced the revolving line of credit and the term loans (see Note 6) with another financial institution and entered into a new credit agreement for a line of credit of $10,000,000, which expires in July 2019. At March 31, 2017, the Company had outstanding borrowings of $2,929,231. Maximum borrowings under this agreement are limited to the lesser of $10,000,000 less outstanding letter of credit or a borrowing base, subject to certain limitations, as defined in the agreement. Borrowings under these facilities are collateralized by substantially all of the Company's assets. The Company must meet a monthly minimum fixed-charge coverage ratio, as defined in the agreement, and maintain excess availability of not less than $500,000 at all times. Interest on the line of credit will be charged at the bank's prime rate plus 1.0 percent or daily three-month LIBOR plus 2.0 percent (an effective rate of 3.15 percent as of March 31, 2017). As of March 31, 2017, the Company was in compliance with the financial covenants.

Note 6 - Long-term Debt

Long-term debt at March 31, 2017 and 2016 is as follows:

	2017	2016
Working capital loan payable in monthly installments of $62,500, including interest at 3.50 percent above the three-month LIBOR (an effective rate of 3.94 percent at March 31, 2016). The note was collateralized by all assets and was due on March 1, 2016. This working capital loan was refinanced on July 6, 2016 and the Company entered into a new term note with another financial institution. See Note 5	$ -	$ 1,125,000
Term loan of $16,000,000 payable in minimum quarterly installments of $800,000, including interest at 3.50 percent above the three-month LIBOR (an effective rate of 3.94 percent at March 31, 2016). The note was collateralized by all assets and was due on September 1, 2017. This term loan was refinanced on July 6, 2016 and the Company entered into a new term note with another financial institution as noted below. See Note 5	-	10,725,000
Term loan of $3,000,000, payable in 10 quarterly installments of $176,477, commencing on December 2013, with interest at 3.0 percent above the three-month LIBOR (an effective rate of 3.54 percent at March 31, 2016). This term loan was refinanced on July 6, 2016 and the Company entered into a new term note with another financial institution as noted below. See Note 5	-	1,056,321
Machinery and equipment term loan not to exceed the lesser of $5,000,000 or either 85 percent of the hard cost of the eligible new CapEx equipment or 85 percent of the net orderly liquidation value of the Company's eligible new equipment, as defined in the bank credit agreement. Payable in monthly installments of $59,524, plus interest at 2.75 percent above three-month LIBOR (an effective rate of 3.90 percent at March 31, 2017), due in August 2023. The machinery and equipment term loan is collateralized with a security interest in the subject property and the Company is required to meet the financial covenants as detailed in Note 5	4,523,808	-
Unamortized debt issuance costs	(58,262)	(15,120)
Long-term debt less unamortized debt issuance costs	4,465,546	12,891,201
Less current portion	704,967	8,382,511
Long-term portion	$ 3,760,579	$ 4,508,690

On April 1, 2016, the Company adopted the new guidance related to the presentation of deferred financing fees in its consolidated balance sheet to net those fees with the related debt, whereas in prior years the deferred financing fees were shown as a separate asset in the consolidated balance sheet. The comparative consolidated financial statement of prior year has been adjusted to apply the new method retrospectively. As of March 31, 2016, deferred financing fees were $15,120, which were included in other noncurrent assets. To conform with the current year's presentation, long-term debt as of March 31, 2016 was reduced by $15,120.

As of March 31, 2017, the Company also had a machinery and equipment term loan in an amount not to exceed the lesser of (a) $750,000, (b) 85 percent of the hard costs, or (c) 65 percent of net orderly liquidation value of the Company's eligible new equipment, as defined in the loan agreement. The loan is available for a 24-month period, due in August 2018, including certain restrictions as defined in the agreement, and amortized over a 60-month period to begin in the month following the first advance to the Company. Interest on the loan bears interest based on daily three-month LIBOR plus 2.75 percent. At March 31, 2017, the Company had no borrowings on this loan outstanding.

Note 6 - Long-term Debt (Continued)

The future principal requirements on the balance of the debts described above are as follows:

Years Ending		Amount
2018	$	714,286
2019		714,286
2020		714,286
2021		714,286
2022		714,286
Thereafter		952,378
Unamortized debt issuance costs		(58,262)
Total	$	4,465,546

Note 7 - Capital Leases

The Company entered into long-term lease arrangements that are classified as capital leases. For consolidated financial statement purposes, the present values of the net minimum lease payments have been capitalized. Under the terms of the lease agreements, payments ranging from $380 to $4,091 are due monthly through March 1, 2022. The leases have been imputed with interest at annual rates ranging from 1.90 percent to 9.47 percent.

At March 31, 2017 and 2016, property under capital leases consists of machinery and equipment with a gross cost of $1,105,166 and $1,054,670, respectively. At March 31, 2017 and 2016, accumulated depreciation on property under capital leases was $157,477 and $93,829, respectively.

The future minimum lease payments under capital leases are as follows:

Years Ending March 31		Amount
2018	$	220,676
2019		189,072
2020		142,143
2021		20,124
2022		4,061
Total		576,076
Less amount representing interest		42,708
Present value of net minimum lease payments		533,368
Less current obligations		197,092
Long-term obligations under capital leases	$	336,276

Note 8 - Operating Leases

The Company is obligated under operating leases for its office and manufacturing facilities, expiring at various dates through February 2025. Total rent expense under these leases was $821,998 and $835,190 for the years ended March 31, 2017 and 2016, respectively.

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

Years Ending March 31	Amount
2018	$ 859,089
2019	882,766
2020	614,944
2021	222,176
2022	226,620
Thereafter	727,492
Total	$ 3,533,087

Note 9 - Retirement Plans

The Company sponsors a 401(k) plan for eligible employees, as defined in the AMTEC Precision Products, Inc. and Subsidiaries Employee Savings Plan and the AMTEC Precision Products, Inc. and Subsidiaries Employee Savings Trust. The plan provides for the Company to make a discretionary matching contribution, after the approval of the board of directors of the Company. There were no contributions for the years ended March 31, 2017 and 2016.

The plan also contains a 401(k) provision, which allows the Company, on an annual basis, to specify the formula for the employer matching contributions. There were no employer matching contributions for the years ended March 31, 2017 and 2016.

Note 10 - Notes Payable and Accounts Payable to UCAL

Notes Payable

As of March 31, 2017 and 2016, the Company had notes payable to UCAL totaling $23,372,097. The notes are noninterest bearing and have no fixed repayment terms. On July 6, 2016, the notes payable to UCAL were subordinated to Wells Fargo Bank, concurrent with the refinancing of the bank borrowings, as detailed in Notes 5 and 6. Per the provisions in the UCAL Subordination Agreement, no payments can be made to UCAL, during the term of the bank credit facilities, without the prior approval from the bank. Accordingly, the notes payable to UCAL are classified as other long-term liabilities.

Accounts Payable

As of March 31, 2017 and 2016, the Company had accounts payable to UCAL totaling $4,464,532 and $4,416,700, respectively. On July 6, 2016, the accounts payable to UCAL were subordinated to Wells Fargo Bank, concurrent with the refinancing of the bank borrowings as detailed in Notes 5 and 6. Per the provisions in the UCAL Subordination Agreement, no payments can be made to UCAL, during the term of the bank credit facilities, without the prior approval from the bank. Accordingly, the accounts payable to UCAL is classified as other long-term liabilities.

Note 11 - Income Taxes

The components of the income tax provision included in the consolidated statement of operations are all attributable to continuing operations and are detailed as follows:

	2017	2016
Deferred income tax expense (benefit)	$ 141,000	$ (287,000)
Correction of the beginning balances of NOL	-	287,000
Change in valuation allowance	(141,000)	-
Other	12,500	-
Total income tax expense	$ 12,500	$ -

The income tax provision differs from the expense that would result from applying statutory rates to income before income taxes as a result of travel and entertainment and other expenses that are not deductible for tax purposes, corrections to prior period estimates, and the change in the valuation allowance.

The Company files income tax returns in the U.S. federal and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before March 31, 2014.

The details of the net deferred tax asset (liability) are as follows:

	2017	2016
Deferred tax assets:		
Allowance for doubtful accounts	$ 65,000	$ 67,000
Inventories	239,000	239,000
State net operating loss carry forward	3,652,000	3,744,000
AMT tax credit	2,057,000	2,057,000
Net operating loss and tax credit carryforward	24,531,000	24,952,000
Accrued expenses	34,000	45,000
Reserve for note receivable	190,000	190,000
Deferred rent	163,000	178,000
Gross deferred tax assets	30,931,000	31,472,000
Valuation allowance recognized for deferred tax assets	(28,085,000)	(28,226,000)
Net deferred tax assets	2,846,000	3,246,000
Deferred tax liabilities - Depreciation	(2,846,000)	(3,246,000)
Net deferred tax asset	$ -	$ -

As of March 31, 2017, the Company has federal and state net operating loss carryforwards of approximately $72,200,000 and $52,100,000, respectively, available to reduce future income taxes, expiring in 2017 through 2036.

Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. Due to uncertainty as to the realization of the net operating loss carryforwards, a valuation allowance has been recorded against the related deferred tax asset.

Note 12 - Capital Stock

Common stock consists of 1,000 authorized shares of $0.01 par value stock. As of March 31, 2017 and 2016, there were 1,000 shares issued and outstanding.

Note 13 - Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including May 19, 2017, which is the date the consolidated financial statements were available to be issued.