



CP Industries Holdings, Inc.

Financial Statements

March 31, 2016 and 2015

CP Industries Holdings, Inc.

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Independent Auditor's Report

To the Stockholder
CP Industries Holdings, Inc.
McKeesport, Pennsylvania

We have audited the accompanying financial statements of CP Industries Holdings, Inc., which comprise the balance sheets as of March 31, 2016 and 2015 and the related statements of operations and comprehensive income (loss), changes in accumulated other comprehensive income (loss) by component, changes in stockholder's deficit and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 CP Industries Holdings, Inc. as of March 31, 2016 and 2015, 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.

BDO USA, LLP

Pittsburgh, Pennsylvania

May 12, 2016

CP Industries Holdings, Inc.

Balance Sheets

<i>March 31,</i>	2016	2015
Assets		
Current Assets		
Cash	\$ 25,219	\$ 334,687
Accounts receivable - net	4,606,153	3,683,997
Inventories - net - Note 2	11,902,289	10,894,028
Prepaid expenses and other current assets	463,061	3,075,111
Total Current Assets	16,996,722	17,987,823
Property, Plant and Equipment - net of accumulated depreciation - Note 3	15,396,242	16,578,843
Other Assets		
Goodwill	9,596,757	9,596,757
Restricted cash - Note 4	-	300,003
Receivable from related parties - Note 11	77,460	72,844
Other assets - Note 11	2,030,673	72,869
Total Other Assets	11,704,890	10,042,473
Total Assets	\$ 44,097,854	\$ 44,609,139

CP Industries Holdings, Inc.

Balance Sheets

<i>March 31,</i>	2016	2015
Liabilities and Stockholder's Deficit		
Current Liabilities		
Current portion of long-term debt - Note 4	\$ 2,743,249	\$ 2,212,500
Accounts payable	1,718,749	2,183,754
Accounts payable - related parties - Note 11	310,989	738,706
Customer deposits	1,829,983	1,708,852
Accrued pension - current portion - Note 6	130,496	-
Post-retirement obligation - current portion - Note 7	45,093	64,043
Accrued expenses and other current liabilities	770,828	789,219
Royalty expense payable - related party - current - Note 9	2,000,000	-
Total Current Liabilities	9,549,387	7,697,074
Long-term Liabilities		
Long-term debt - Note 4	1,828,125	3,853,125
Revolving line of credit - Note 4	3,830,203	4,069,671
Accrued pension - Note 6	2,300,332	1,848,581
Post-retirement obligation - Note 7	542,130	862,892
Deferred tax liability - Note 8	2,047,000	1,791,000
Royalty expense payable - related party - Note 9	2,343,487	3,532,394
Notes payable - related parties - Note 5	21,142,400	21,142,400
Accrued interest - related parties - Note 5	1,581,078	1,308,588
Total Long-term Liabilities	35,614,755	38,408,651
Total Liabilities	45,164,142	46,105,725
Stockholder's Deficit		
Common stock, \$.01 par value, 1,000 shares authorized, 100 shares issued and outstanding	1	1
Paid-in capital	8,999,999	8,999,999
Accumulated deficit	(8,308,836)	(8,815,667)
Accumulated other comprehensive loss	(1,757,452)	(1,680,919)
Total Stockholder's Deficit	(1,066,288)	(1,496,586)
Total Liabilities and Stockholder's Deficit	\$ 44,097,854	\$ 44,609,139

See accompanying independent auditor's report and notes to the financial statements.

CP Industries Holdings, Inc.

Statements of Operations and Comprehensive Income (Loss)

<i>For the Years Ended March 31,</i>	2016	2015
Net Sales	\$ 28,670,569	\$ 27,240,704
Cost of Goods Sold	23,107,381	22,770,646
Gross profit	5,563,188	4,470,058
Selling, General and Administrative Expenses	3,074,568	2,795,643
Royalty Expense - Note 9	811,093	771,070
Income from operations	1,677,527	903,345
Other Expense		
Other expense - Note 3	(174,860)	(576,760)
Interest expense	(718,836)	(873,458)
Total Other Expense	(893,696)	(1,450,218)
Income (Loss) Before Income Taxes	783,831	(546,873)
Provision for Income Taxes - Note 8	277,000	256,000
Net Income (Loss)	506,831	(802,873)
Other Comprehensive Income (Loss)		
Pension adjustment - Note 6	(387,408)	(485,295)
Post-retirement plan adjustment - Note 7	310,875	(123,260)
Comprehensive Income (Loss)	\$ 430,298	\$ (1,411,428)

See accompanying independent auditor's report and notes to the financial statements.

CP Industries Holdings, Inc.

Statements of Changes in Accumulated Other Comprehensive Income (Loss) by Component

<i>For the Years Ended March 31, 2016 and 2015</i>	Pension	Other Post-retirement Benefits	Total
Balance - April 1, 2014	\$ (1,379,531)	\$ 307,167	\$ (1,072,364)
Other comprehensive loss before reclassifications	(452,975)	(102,719)	(555,694)
Amounts reclassified from accumulated other comprehensive loss - Notes 6 and 7	(32,320)	(20,541)	(52,861)
Comprehensive loss	(485,295)	(123,260)	(608,555)
Balance - March 31, 2015	(1,864,826)	183,907	(1,680,919)
Other comprehensive income (loss) before reclassifications	(482,338)	321,474	(160,864)
Amounts reclassified from accumulated other comprehensive income (loss) - Notes 6 and 7	94,930	(10,599)	84,331
Comprehensive income (loss)	(387,408)	310,875	(76,533)
Balance - March 31, 2016	\$ (2,252,234)	\$ 494,782	\$ (1,757,452)

See accompanying independent auditor's report and notes to the financial statements.

CP Industries Holdings, Inc.

Statements of Changes in Stockholder's Deficit

<i>For the Years Ended March 31, 2016 and 2015</i>	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Deficit
Balance - April 1, 2014	\$ 1	\$ 8,999,999	\$ (8,012,794)	\$ (1,072,364)	\$ (85,158)
Net loss	-	-	(802,873)	-	(802,873)
Pension adjustment	-	-	-	(485,295)	(485,295)
Post-retirement plan adjustment	-	-	-	(123,260)	(123,260)
Balance - March 31, 2015	1	8,999,999	(8,815,667)	(1,680,919)	(1,496,586)
Net income	-	-	506,831	-	506,831
Pension adjustment	-	-	-	(387,408)	(387,408)
Post-retirement plan adjustment	-	-	-	310,875	310,875
Balance - March 31, 2016	\$ 1	\$ 8,999,999	\$ (8,308,836)	\$ (1,757,452)	\$ (1,066,288)

*See accompanying independent auditor's report and
notes to the financial statements.*

CP Industries Holdings, Inc.

Statements of Cash Flows

<i>For the Years Ended March 31,</i>	2016	2015
Cash Provided by (Used for) Operating Activities		
Net income (loss)	\$ 506,831	\$ (802,873)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	2,299,359	2,710,378
Loss on disposal of building	185,976	578,384
Deferred income taxes	256,000	255,000
Changes in		
Accounts receivable	(922,156)	96,468
Inventories	(1,008,261)	(964,995)
Accounts payable	(892,722)	762,500
Accrued expenses	254,099	572,240
Customer deposits	121,131	(585,701)
Accrued pension and post retirement	166,002	747,142
Royalty expense payable	811,093	771,069
Other items	611,484	(1,172,465)
Net Cash Provided by Operating Activities	2,388,836	2,967,147
Cash Provided by (Used for) Investing Activities		
Acquisitions of property, plant and equipment	(1,264,588)	(718,132)
Proceeds from disposal of assets	-	20,000
Decrease (increase) in restricted cash	300,003	(300,003)
Net Cash Used for Investing Activities	(964,585)	(998,135)
Cash Provided by (Used for) Financing Activities		
Net borrowings (repayments) under revolving line of credit	(239,468)	251,550
Proceeds from long-term debt	720,179	52,641
Payments made on long-term debt	(2,214,430)	(2,240,129)
Net Cash Used for Financing Activities	(1,733,719)	(1,935,938)
Increase (Decrease) in Cash	(309,468)	33,074
Cash - beginning of year	334,687	301,613
Cash - end of year	\$ 25,219	\$ 334,687

See accompanying independent auditor's report and notes to the financial statements.

CP Industries Holdings, Inc.
Statements of Cash Flows (Continued)

For the Years Ended March 31, 2016 2015

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest \$ 392,876 \$ 519,533

Noncash Investing and Financing Activities

Noncash refinancing of notes payable - Note 6 \$ - \$ 5,797,359

*See accompanying independent auditor's report and
notes to the financial statements.*

CP Industries Holdings, Inc.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Organization and Nature of Business

CP Industries Holdings, Inc. (CPI) is a wholly owned subsidiary of EKC Hungary Korlátolt Felelősségű Társaság (EKC Hungary), which is a wholly owned subsidiary of Everest Kanto Cylinder Ltd. (EKCL). CPI is located in McKeesport, Pennsylvania and specializes in manufacturing various size and diameter seamless pressure vessels for above ground storage and transportation of various highly pressurized gases. CPI's products are sold to customers such as industrial gas producers and suppliers, the natural gas alternative fuel industry, chemical and petrochemical processing facilities, shipbuilders, NASA, public utilities and gas transportation companies.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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.

Labor Concentration

Approximately 73% of the Company's employees are members of a union subject to a collective bargaining agreement. The union agreement was renewed during the year ended March 31, 2015 and is set to expire in May 2016. Negotiations to extend the collective bargaining agreement have been scheduled and the Company expects that it will be extended in the normal course of business.

Cash

Substantially all of the Company's cash is with one financial institution located in southwestern Pennsylvania.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for uncollectible accounts was approximately \$124,000 at March 31, 2016 and \$64,000 at March 31, 2015.

Inventories

Inventories are stated at the lower of cost or market. The Company uses the specific identification method of accounting for the cost of raw material pipe inventory, the first-in, first-out method of accounting for the cost of component parts, and average cost for composite raw material.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment

Property, plant and equipment is recorded at cost including expenditures for additions and major improvements. Maintenance and repairs which are not considered to extend the useful life of assets are charged to operations as incurred. The cost of assets sold or retired and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in other income (expense) for the year.

For financial reporting, depreciation of property, plant and equipment is computed on the straight-line method at rates calculated to amortize cost over the estimated useful lives of the assets.

The Company reviews the carrying value of its property, plant and equipment for impairment when indicators of possible impairment exist. The review is based on estimates of future cash flows, undiscounted and without interest charges. Management has determined that no impairment exists at March 31, 2016 and 2015.

Intangible Assets

Goodwill is not amortized but is tested for impairment on at least an annual basis. Impairment testing is required more frequently if impairment indicators arise. In conducting its impairment testing, the Company determines if qualitative or quantitative factors are to be used to evaluate the potential impairment in the carrying value of the Company's goodwill. The Company has the option to first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that goodwill is impaired. If, based on its qualitative assessment, the Company concludes that it is more likely than not that goodwill is impaired, quantitative impairment testing is required. However, if the Company concludes otherwise, quantitative impairment testing is not required. The Company measures the amount of any goodwill impairment based upon the estimated fair value of the underlying assets and liabilities of the reporting unit, including any unrecognized intangible assets, and estimates the implied fair value of goodwill. An impairment charge is recognized to the extent the recorded goodwill exceeds the implied fair value of goodwill. The Company chose to perform a qualitative impairment test for goodwill at March 31, 2016. At March 31, 2016, the Company determined that the recorded value for goodwill was not impaired.

Debt acquisition costs are capitalized and are being amortized on a straight-line basis over the term of the related debt (Note 4).

Research and Development

The Company expenses research and development costs as incurred. Total research and development expense was \$489,000 for 2016 and \$393,000 for 2015 included in selling, general and administrative expenses.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

Tax Status

The Company provides for income taxes in accordance with the asset and liability method. Under this method, deferred taxes are determined based on the difference between financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The principal differences relate to inventories, property, plant and equipment, goodwill, accrued pension and other post-retirement obligations, and accruals that are not currently deductible. Deferred taxes are also provided for operating losses that are available to offset future taxable income and credits that are available to offset future federal income taxes. A valuation allowance is established for any deferred tax asset for which realization is not considered likely.

The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. There were no amounts recorded at March 31, 2016 and 2015 related to uncertain tax positions.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. There were no interest and penalties recognized in the statements of operations during 2016 or 2015.

Revenue Recognition

Sales are recognized when both risk of loss and title to products has passed to the customer, which generally occurs when products are shipped to customers. Shipping and other transportation costs billed to customers of approximately \$256,000 in 2016 and \$397,000 in 2015 are included in net sales, whereas shipping and handling costs incurred are recorded in cost of sales.

Defined Benefit and Post-retirement Benefit Plans

The Company recognizes the over-funded and under-funded status of defined benefit pension and other post-retirement plans as assets or liabilities in its balance sheets. In addition, changes in the funded status are recognized in comprehensive income in the year in which the changes occur. The Company uses a March 31 measurement date for its defined benefit pension and other post-retirement plans.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring and non-recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - Observable inputs such as quoted prices in active markets for identical investments that the Company has the ability to access.
- Level 2 - Inputs include:
 - a. Quoted prices for similar assets or liabilities in active markets;
 - b. Quoted prices for identical or similar assets or liabilities in inactive markets;
 - c. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly;
 - d. Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
- Level 3 - Unobservable inputs in which there is little or no market activity for the asset or liability, which require the reporting entity to develop its own estimates and assumptions relating to the pricing of the asset or liability including assumptions regarding risk.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance 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. The new standard applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. Lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In July 2015, the FASB issued guidance that requires inventory measured on a FIFO or average cost basis to be measured using the lower of cost and net realizable value. Inventory measured on a LIFO basis or the retail inventory method will continue to be measured at the lower of cost or market. The amendments are effective prospectively for public entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted as of the beginning of an interim or annual reporting period.

In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The guidance was implemented to: remove inconsistencies and weaknesses in revenue recognition requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, provide more useful information to users of financial statements through improved disclosure requirements, and simplify the preparation of financial statements.

The core principle of the guidance is 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. To achieve that core principle, an entity should apply the following steps: 1) Identify the contracts with the customer; 2) Identify the performance obligations in the contract; 3) Determine the contract price; 4) Allocate the transaction price to the performance obligations in the contract; and 5) Recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in this update are effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. Earlier adoption is permitted for nonpublic entities, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application.

The Company is currently evaluating the timing and impact of these new standards on its financial statements.

Reclassification

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 12, 2016, the day the financial statements were approved and authorized for issue.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

2. Inventories

Inventories consist of the following at March 31:

	2016	2015
Raw materials	\$ 5,396,305	\$ 4,891,868
Work in process	6,775,550	6,194,088
	12,171,855	11,085,956
Less: Inventory obsolescence reserve	(269,566)	(191,928)
Inventories	\$ 11,902,289	\$ 10,894,028

3. Property, Plant and Equipment

Property, plant and equipment consists of the following at March 31:

	2016	2015
Land	\$ 873,300	\$ 873,300
Buildings and improvements	7,800,537	7,964,215
Machinery and equipment	24,392,428	23,862,656
Furniture and fixtures	395,767	389,978
Construction in progress	763,758	99,663
	34,225,790	33,189,812
Less: Accumulated depreciation	(18,829,548)	(16,610,969)
Property, Plant and Equipment - Net of Accumulated Depreciation	\$ 15,396,242	\$ 16,578,843

Depreciation expense amounted to approximately \$2,261,000 for 2016 and \$2,647,000 for 2015.

During fiscal year 2015, the Company disposed of a building and incurred a loss on the disposal of approximately \$598,000. The Company received \$20,000 in proceeds related to this disposal. The net effect of this transaction has been included in other expenses on the statement of operations.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

4. Notes Payable and Borrowings - Third Parties

Term debt and revolving line of credit consists of the following at March 31:

	2016	2015
Revolving Line of Credit	\$ 3,830,203	\$ 4,069,671
Term loan	\$ 3,290,625	\$ 4,753,125
Equipment loan	718,249	-
Export-Import Bank term note	562,500	1,312,500
	4,571,374	6,065,625
Less: Current portion	(2,743,249)	(2,212,500)
	\$ 1,828,125	\$ 3,853,125

The Company has a credit agreement with Citizens Bank of Pennsylvania (Credit Agreement) that includes a revolving line of credit (Revolver), a Term Loan, and a Delayed Draw Equipment Loan (Equipment Loan) totaling \$12,100,000. The borrowings under the Credit Agreement are collateralized by substantially all assets of the Company, as well as the shares of the Company, which were pledged by EKC Hungary.

The Revolver provides the Company with working capital and it is also used for general corporate and business expenses. The maturity date of the Revolver is May 31, 2017, with maximum borrowings of \$5,000,000. Commitment fees are equal to 0.25% of the average daily value of the unused Revolver. The interest on the Revolver is due monthly and accrued based on the one-month LIBOR rate plus 3.00% (3.44% at March 31, 2016).

The Term Loan is payable in equal monthly principal payments of \$121,875 and bears an interest rate of 3.00% plus one-month LIBOR, expiring on May 31, 2017 at which time the remaining principal of approximately \$1,584,000 and interest are due. The Company expects to renegotiate with the lender to refinance the Term Loan prior to the expiration date.

The Equipment Loan provides the Company with delayed draw term loans to finance capital expenditures. The Company can borrow amounts up to a maximum of \$1,250,000 during the commitment period from June 1, 2015 to May 31, 2016. The Equipment Loan bears interest based on the one-month LIBOR plus 3%, and will require monthly principal payments beginning upon the expiration of the commitment period through May 31, 2017.

In May 2014, the Company entered into a forbearance agreement with Citizens Bank of Pennsylvania (Forbearance Agreement) due to violating its financial covenants during the prior year. The Forbearance Agreement expired in May 2015 at which time the company entered into the Credit Agreement which removed the forbearance provisions and waived all events of default included in the Forbearance Agreement.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

4. Notes Payable and Borrowings - Third Parties (Continued)

The previous forbearance term note required the Company to maintain a deposit account. The Company was required to deposit \$100,000 monthly through the term of the Forbearance Agreement. The funds were for additional security for the Forbearance Agreement. The funds in this account are presented within restricted cash on the balance sheet at March 31, 2015, as the funds were held, controlled, and maintained by the lender. Under provisions of the amended Credit Agreement, control of these funds reverted back to the Company on May 31, 2015.

The Credit Agreement also contains a Letter of Credit Subfacility with a maximum outstanding amount of \$1,000,000. There were no letters of credit outstanding as of March 31, 2016 or 2015.

The Credit Agreement limits (i) under certain circumstances the Company's ability to incur additional indebtedness and (ii) sell material assets or merge with another business. In addition, the Bank Credit Agreement requires the Company to maintain a specified maximum leverage ratio of 3.00 to 1.00 and a minimum fixed charge coverage ratio of less than 1.10 to 1.00.

Export-Import Bank Term Note

The Company has a term note with the Export-Import Bank of India that calls for equal quarterly payments of principal along with interest at a rate of six-month LIBOR plus 5.50% (6.35% at March 31, 2016). The EXIM Term Note matures on October 31, 2016 and is collateralized by certain EKCL property plant and equipment and guaranteed by EKCL (Note 11).

The approximate future aggregate maturities of term debt are as follows:

<i>Year Ending March 31,</i>	<i>Amount</i>
2017	\$ 2,743,000
2018	1,828,000
Total	\$ 4,571,000

5. Notes Payable - Related Parties

The Company has a note payable agreement with EKC International FZE, a wholly owned subsidiary of EKCL, which matures on March 31, 2019. The note payable is unsecured and bears interest at the three-month LIBOR rate plus 1% (1.61% at March 31, 2016). The outstanding borrowings and accrued interest are due on maturity. As of March 31, 2016, the outstanding borrowings totaled \$21,142,400. This note is subordinated to the Citizens Bank Credit Agreement (Note 4).

The Company has accrued interest payable on the notes payable - related parties outstanding of approximately \$1,549,000 at March 31, 2016 and \$1,254,000 at March 31, 2015 which are included in accrued interest - related parties in the accompanying balance sheets.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

6. Retirement Plans

The Company has a noncontributory defined benefit pension plan covering all union employees hired prior to June 1, 2006. The benefits are based on years of service and the applicable compensation levels under the plan. The Company's funding policy is to fund pension cost as determined by actuarial valuation. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future. The Company uses a March 31 measurement date for its plan.

The following table sets forth the funded status as of March 31:

	2016	2015
Projected and accumulated benefit obligation	\$ (6,401,282)	\$ (6,534,522)
Fair value of pension plan assets	3,970,454	4,685,941
Under-funded Status at End of Year	\$ (2,430,828)	\$ (1,848,581)

The following are the weighted-average assumptions used to determine the benefit obligation and net periodic pension cost at March 31:

	2016	2015
Discount rate	3.98%	3.90%
Expected rate of return	5.00%	5.00%

Other required disclosures consisted of the following:

	2016	2015
Net periodic pension cost	\$ 194,839	\$ 177,825
Benefits paid	\$ 358,762	\$ 330,620

The following table sets forth the reconciliation of items not yet reflected in net periodic pension cost and components of other changes recognized in other comprehensive income and accumulated other comprehensive income:

	March 31, 2015	Amounts Arising During Fiscal Year	March 31, 2016
Comprehensive loss	\$ (1,864,826)	\$ (387,408)	\$ (2,252,234)

The Company is required to make contributions of approximately \$130,000 to the plan in fiscal year 2017. Additional cash contributions may also be made at the discretion of the Company's management.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

6. Retirement Plans (Continued)

The following tables set forth the fair value of the plan assets as of March 31:

<i>2016</i>	Level 1	Level 2	Total
Cash and cash equivalents	\$ 81,431	\$ -	\$ 81,431
Government and corporate bonds			
Fixed income	652,090	-	652,090
Mutual funds			
Fixed income	3,236,933	-	3,236,933
Total	\$ 3,970,454	\$ -	\$ 3,970,454

<i>2015</i>	Level 1	Level 2	Total
Cash and cash equivalents	\$ 338,404	\$ -	\$ 338,404
Government and corporate bonds			
Fixed income	607,034	-	607,034
Mortgage backed securities	-	55,336	55,336
Mutual funds			
Fixed income	2,435,076	-	2,435,076
Equities	1,250,091	-	1,250,091
Total	\$ 4,630,605	\$ 55,336	\$ 4,685,941

Mortgage backed securities are valued using quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates (Level 2 inputs under the fair value hierarchy). Mutual funds, government bonds, and corporate bonds are traded in active markets and valued based on their quoted fair value by independent pricing vendors (Level 1 inputs under the fair value hierarchy).

The Company's asset allocation by asset category is as follows at March 31:

	2016	2015
Cash and equivalents	2%	7%
Government and corporate bonds	16%	14%
Mutual funds	82%	52%
Equities	0%	27%

The overall investment policy for the plan assets is to produce a total return commensurate with the portfolio's risk, the constraints of funding on-going plan benefit and expense requirements and the current opportunities in the investment market.

The Company's expected rate of return on plan assets is determined by the plan's historical returns and the targeted mix of investments.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

6. Retirement Plans (Continued)

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

<i>Year Ending March 31,</i>	<i>Amount</i>
2017	\$ 378,000
2018	\$ 393,000
2019	\$ 397,000
2020	\$ 387,000
2021	\$ 377,000
2022 - 2026	\$ 1,859,000

The Company also has two 401(k) savings plans which cover substantially all union and non-union employees. For both plans, the Company matches a percentage of the employees' contributions up to a maximum level. The matching contributions to the plans were approximately \$63,000 for 2016 and \$79,000 for 2015. There were no discretionary contributions made to the non-union employees' plan in 2016 or 2015.

7. Other Post-retirement Benefit Plan

The Company has a post-retirement plan to provide certain post-retirement benefits for those employees identified in the current collective bargaining agreement. The Company uses a March 31 measurement date for its plan.

Amounts recognized in the balance sheets consisted of:

	2016	2015
Post-retirement obligation - current portion	\$ (45,093)	\$ (64,043)
Post-retirement obligation - long-term portion	(542,130)	(862,892)
	\$ (587,223)	\$ (926,935)

The following table sets forth the reconciliation of items not yet reflected in net periodic post-retirement benefit cost and components of other changes recognized in other comprehensive income and accumulated other comprehensive income:

	March 31, 2015	Amounts Arising During Fiscal Year	March 31, 2016
Net gain	\$ 183,907	\$ 310,875	\$ 494,782

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

7. Other Post-retirement Benefit Plan (Continued)

The following is the weighted-average assumption used to determine benefit obligations and net periodic post-retirement benefit cost at March 31:

	2016	2015
Discount rate	3.50%	3.40%

Other information concerning the plan is as follows at March 31:

	2016	2015
Benefit costs	\$ 20,044	\$ 12,682
Benefits paid	\$ 48,881	\$ 51,920
Employer contributions	\$ 48,881	\$ 51,920

The benefits are not salary based. In general, for measurement purposes, an 8% annual rate of increase in the per capita cost of covered health benefits was assumed as of the measurement date decreasing to 3% over the following eight-year period and remaining at that level thereafter.

The Company expects to contribute approximately \$45,000 to the plan in fiscal year 2017 which approximates estimated benefits.

The following estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

<i>Year Ending March 31,</i>	Amount
2017	\$ 45,000
2018	\$ 43,000
2019	\$ 39,000
2020	\$ 39,000
2021	\$ 38,000
2022 - 2026	\$ 183,000

8. Income Taxes

The provision for income taxes consisted of the following at March 31:

	2016	2015
Currently payable	\$ 21,000	\$ -
Deferred income taxes		
Net operating losses	232,000	9,000
Temporary differences	(477,000)	(465,000)
Valuation allowance	501,000	712,000
Provision for Income Taxes	\$ 277,000	\$ 256,000

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

8. Income Taxes (Continued)

At March 31, 2016 and 2015, the Company had the following deferred tax assets and liabilities:

	2016	2015
<hr/>		
Current deferred tax assets		
Bad debt	\$ 43,000	\$ 19,000
Inventories	304,000	325,000
Non-deductible accruals	2,469,000	2,016,000
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Current asset	2,816,000	2,360,000
Less: Valuation allowance	(2,816,000)	(2,360,000)
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Net Current Asset	\$ -	\$ -
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	2016	2015
<hr/>		
Non-current deferred tax assets (liabilities)		
Property and equipment	\$ (2,654,000)	\$ (2,834,000)
Net operating losses	4,481,000	4,713,000
Pension and post-retirement benefits	1,207,000	1,110,000
Goodwill	(2,047,000)	(1,791,000)
<hr/>		
Non-current asset	987,000	1,198,000
Less: Valuation allowance	(3,034,000)	(2,989,000)
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Net Non-current Liability	\$ (2,047,000)	\$ (1,791,000)
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The Company has approximately \$11,200,000 of federal and \$3,400,000 of state net operating losses which expire through 2034.

The Company's 2013 through 2015 tax years remain subject to examination by the Internal Revenue Service for federal tax purposes and the State of Pennsylvania.

Due to the uncertainty of future taxable earnings, the Company believes that it is more likely than not that a full valuation allowance is required to offset the deferred income tax assets.

At March 31, 2015, the difference between the Company's effective rate and the federal statutory rates is due to permanent differences and the valuation allowance.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

9. Trade Name License Agreement

The Company maintains a trade name licensing agreement (the Agreement) with EKC Hungary, a related party, under which the Company obtained the non-exclusive rights to use certain trade names and custom computer software. The Agreement was amended during fiscal year 2015 to reduce the percentage the Company is required to pay in quarterly royalties to 3% of net sales. Prior to fiscal year 2015, the Company was required to pay quarterly royalties equal to 5% of net sales under the Agreement. The Agreement expires on April 18, 2017. No royalty payments were made to EKC Hungary during 2016. The Company made royalty payments of approximately \$30,000 in 2015 to EKC Hungary. The accrued royalty expense payables of approximately \$2,343,000 at March 31, 2016 and \$3,532,000 at March 31, 2015 are classified as long-term liabilities in the accompanying balance sheets. At March 31, 2016, \$2,000,000 of accrued royalty expense payable was classified as current in the accompanying balance sheets. No amounts were classified as current at March 31, 2015.

10. Operating Lease Commitments

The Company leases certain manufacturing equipment and vehicles under operating lease agreements. Total rent expense was approximately \$136,000 for 2016 and \$118,000 for 2015. Future minimum lease payments are as follows:

<i>Year Ending March 31,</i>	<i>Amount</i>
2017	\$ 91,000
2018	61,000
2019	53,000
2020	39,000
2021	32,000
Thereafter	27,000
	<hr/>
	\$ 303,000

11. Related Party Transactions

EKC Europe GmbH, a related party and wholly owned subsidiary of EKC International FZE, provided engineering research and development services to the Company totaling approximately \$281,000 in 2016 and \$353,000 in 2015 which are included in selling, general and administrative expenses.

The Company paid EKCL a fee of approximately \$5,000 in 2016 and \$8,000 in 2015 to guaranty the EXIM Term Note (Note 4).

The Company prepaid EKCL for the purchase of certain raw material pipe. The prepaid inventory has been classified within other assets in the accompanying balance sheets. The prepaid inventory amounts to approximately \$1,996,000 at March 31, 2016 and 2015. Amounts in payables related to this purchase were \$198,000 in 2016 and 2015. No raw material pipe was purchased from EKCL in 2016. Raw material pipe purchased from EKCL totaled \$480,000 in 2015.

CP Industries Holdings, Inc.

Notes to the Financial Statements (Continued)

11. Related Party Transactions (Continued)

The Company purchased other pipe from EKC India totaling approximately \$70,000 in 2016 and \$122,000 in 2015. The Company also purchased other pipe from EKC Tianjin totaling approximately \$183,000 in 2016 and \$17,000 in 2015.

At March 31, 2016 and 2015, there are certain amounts included in receivables from related parties arising from transactions between the Company and EKC and its subsidiaries. These transactions and balances are in the normal course of business operations. The Accounts payable - related parties is the result of the pipe purchases and services noted above.

12. Major Supplier

The Company purchased approximately 36% of its steel inventory from two suppliers in 2016 and 38% of its steel inventory from two different suppliers in 2015. Company management believes there are adequate alternative suppliers available and that the loss of a major supplier would not materially interrupt business operations. At March 31, 2016, accounts payable included in the accompanying balance sheet related to these two suppliers were not material. At March 31, 2015, approximately \$367,000 of accounts payable included in the accompanying balance sheet related to one of the two suppliers.

13. Commitments and Contingencies

Litigation, Claims and Assessments

In the normal course of business, the Company may be party to lawsuits and other legal matters arising in the normal course of business. Management is not aware of any legal proceedings that could have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Environmental

Due to the nature of its industry, the Company is exposed to environmental risks. The Company has various policies and procedures to avoid environmental contamination and to mitigate the risks of environmental contamination. The Company conducts periodic reviews to identify changes in its environmental risk profile. Liabilities are accrued when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated. The Company is not aware of any environmental claims existing at March 31, 2016. However, there can be no assurance that current regulatory requirements will not change or unknown past noncompliance with environmental laws will not be discovered on the Company's properties.