CP Industries Holdings, Inc.

Financial Statements

March 31, 2017 and 2016

CP Industries Holdings, Inc.

Contents

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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, 2017 and 2016 and the related statements of income and comprehensive income, 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, 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.

BDO USA, LLP

May 12, 2017

CP Industries Holdings, Inc.

Balance Sheets

March 31,	**2017**	2016
Assets		
Current Assets		
Cash	**$ 33,459**	$ 25,219
Accounts receivable - net	**5,741,984**	4,606,153
Receivable from related parties - Note 11	**333,960**	-
Inventories - net - Note 2	**13,585,451**	11,902,289
Prepaid expenses and other current assets	**1,776,515**	463,061
Other assets - Note 11	**1,995,950**	-
Total Current Assets	**23,467,319**	16,996,722
Property, Plant and Equipment - net of accumulated depreciation - Note 3	**14,215,158**	15,426,520
Other Assets		
Goodwill	**9,596,757**	9,596,757
Receivable from related parties - long term - Note 11	**-**	77,460
Other assets - Note 11	**-**	1,995,950
Total Other Assets	**9,596,757**	11,670,167
Total Assets	**$ 47,279,234**	$ 44,093,409

CP Industries Holdings, Inc.

Balance Sheets

March 31,	**2017**	2016
Liabilities and Stockholder's Deficit		
Current Liabilities		
Current portion of long-term debt - Note 4	**$ 780,000**	$ 2,743,249
Accounts payable	**4,198,718**	1,608,053
Accounts payable - related parties - Note 11	**382,701**	421,685
Customer deposits	**1,963,793**	1,829,983
Accrued pension - current portion - Note 6	**217,562**	130,496
Post-retirement obligation - current portion - Note 7	**29,072**	45,093
Accrued expenses and other current liabilities	**733,177**	770,828
Royalty expense payable - related party - current - Note 9	**1,500,000**	2,000,000
Total Current Liabilities	**9,805,023**	9,549,387
Long-term Liabilities		
Long-term debt - Note 4	**3,079,990**	1,823,680
Revolving line of credit - Note 4	**4,591,603**	3,830,203
Accrued pension - Note 6	**2,101,481**	2,300,332
Post-retirement obligation - Note 7	**205,525**	542,130
Deferred tax liability - Note 8	**2,303,000**	2,047,000
Royalty expense payable - related party - Note 9	**2,636,115**	2,343,487
Notes payable - related parties - Note 5	**21,142,400**	21,142,400
Accrued interest - related parties - Note 5	**1,942,530**	1,581,078
Total Long-term Liabilities	**38,002,644**	35,610,310
Total Liabilities	**47,807,667**	45,159,697
Stockholder's Deficit		
Common stock, $.01 par value, 1,000 shares authorized, 100 shares issued and outstanding	**1**	1
Paid-in capital	**8,999,999**	8,999,999
Accumulated deficit	**(8,195,458)**	(8,308,836)
Accumulated other comprehensive loss	**(1,332,975)**	(1,757,452)
Total Stockholder's Deficit	**(528,433)**	(1,066,288)
Total Liabilities and Stockholder's Deficit	**$ 47,279,234**	$ 44,093,409

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

CP Industries Holdings, Inc.

Statements of Income and Comprehensive Income

For the Years Ended March 31,	**2017**	2016
Net Sales	**$ 27,154,157**	$ 28,670,569
Cost of Goods Sold	**22,614,596**	23,107,381
Gross profit	**4,539,561**	5,563,188
Selling, General and Administrative Expenses	**2,702,806**	3,074,568
Royalty Expense - Note 9	**781,782**	811,093
Income from operations	**1,054,973**	1,677,527
Other Income (Expense)		
Other income (expense)	**8,411**	(174,860)
Interest expense	**(673,006)**	(718,836)
Total Other Expense	**(664,595)**	(893,696)
Income Before Income Taxes	**390,378**	783,831
Provision for Income Taxes - Note 8	**277,000**	277,000
Net Income	**113,378**	506,831
Other Comprehensive Income (Loss)		
Pension adjustment - Note 6	**265,529**	(387,408)
Post-retirement plan adjustment - Note 7	**158,948**	310,875
Comprehensive Income	**$ 537,855**	$ 430,298

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

For the Years Ended March 31, 2017 and 2016	Pension	Other Post-retirement Benefits	Total
Balance - April 1, 2015	$ (1,864,826)	$ 183,907	$ (1,680,919)
Other comprehensive income (loss) before reclassifications	94,930	321,474	416,404
Amounts reclassified from accumulated other comprehensive income (loss) - Notes 6 and 7	(482,338)	(10,599)	(492,937)
Comprehensive income (loss)	(387,408)	310,875	(76,533)
Balance - March 31, 2016	(2,252,234)	494,782	(1,757,452)
Other comprehensive income before reclassifications	91,416	88,875	180,291
Amounts reclassified from accumulated other comprehensive income - Notes 6 and 7	174,113	70,073	244,186
Comprehensive income	265,529	158,948	424,477
Balance - March 31, 2017	$ (1,986,705)	$ 653,730	$ (1,332,975)

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

CP Industries Holdings, Inc.

Statements of Changes in Stockholder's Deficit

For the Years Ended March 31, 2017 and 2016	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Deficit
Balance - April 1, 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)
Net income	-	-	113,378	-	113,378
Pension adjustment	-	-	-	265,529	265,529
Post-retirement plan adjustment	-	-	-	158,948	158,948
Balance - March 31, 2017	$ 1	$8,999,999	$ (8,195,458)	$ (1,332,975)	$ (528,433)

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

CP Industries Holdings, Inc.

Statements of Cash Flows

For the Years Ended March 31,	**2017**	2016
Cash Provided by (Used for) Operating Activities		
Net income	**$ 113,378**	$ 506,831
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**2,414,295**	2,299,359
Loss on disposal of building	**-**	185,976
Deferred income taxes	**256,000**	256,000
Changes in		
Accounts receivable	**(1,135,831)**	(922,156)
Inventories	**(1,683,162)**	(1,008,261)
Accounts payable	**2,309,006**	(892,722)
Accrued expenses	**323,801**	254,099
Customer deposits	**133,810**	121,131
Accrued pension and post retirement	**(39,934)**	166,002
Royalty expense payable	**(207,372)**	811,093
Other items	**(1,626,443)**	611,484
Net Cash Provided by Operating Activities	**857,548**	2,388,836
Cash Provided by (Used for) Investing Activities		
Acquisitions of property, plant and equipment	**(899,324)**	(1,264,588)
Decrease in restricted cash	**-**	300,003
Net Cash Used for Investing Activities	**(899,324)**	(964,585)
Cash Provided by (Used for) Financing Activities		
Net borrowings (repayments) under revolving line of credit	**761,400**	(239,468)
Proceeds from long-term debt	**24,828**	720,179
Payment of deferred financing costs	**(40,688)**	-
Payments made on long-term debt	**(695,524)**	(2,214,430)
Net Cash Provided by (Used for) Financing Activities	**50,016**	(1,733,719)
Increase (Decrease) in Cash	**8,240**	(309,468)
Cash - beginning of year	**25,219**	334,687
Cash - end of year	**$ 33,459**	$ 25,219

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,		**2017**		2016
Supplemental Disclosure of Cash Flow Information				
Cash paid during the year for income taxes	**$**	**34,213**	$	-
Cash paid during the year for interest	**$**	**311,623**	$	392,876
Noncash Investing and Financing Activities				
Acquisitions of property, plant and equipment	**$**	**242,675**	$	-
Noncash refinancing of notes payable - Note 4	**$**	**3,900,000**	$	-

See accompanying independent auditor's report and 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 Felelösségü 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, prime contractors to the U.S. Department of Defense, 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 68% 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, 2017 and is set to expire in October 2019.

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, 2017 and 2016.

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.

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, 2017 and 2016.

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, 2017. At March 31, 2017, the Company determined that the recorded value for goodwill was not impaired.

Deferred financing costs are deducted directly from the carrying value of the associated debt and are being amortized over the term of the debt using the straight-line method, which approximates the effective interest method (Note 4).

Research and Development

The Company expenses research and development costs as incurred. Total research and development expense was $257,000 for 2017 and $489,000 for 2016 included in selling, general and administrative expenses (Note 11).

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, 2017 and 2016 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 income during 2017 or 2016.

Revenue Recognition and Customer Concentration

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 $107,000 in 2017 and $256,000 in 2016 are included in net sales, whereas shipping and handling costs incurred are recorded in cost of sales.

The Company has five customers that together comprise approximately 63% and 56% of the total accounts receivable balance at March 31, 2017 and 2016, respectively. One customer comprises approximately 29% of total accounts receivable at March 31, 2017. The Company also has five customers that together comprise approximately 46% of its sales in 2017 and 2016.

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.

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 May 2014, the Financial Accounting Standards Board (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.

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

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.

In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations”, which clarifies certain aspects of the principal-versus-agent guidance, including how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions. The amendments also reframe the indicators to focus on evidence that an entity is acting as a principal rather than as an agent. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing”, which clarifies how an entity should evaluate the nature of its promise in granting a license of intellectual property, which will determine whether it recognizes revenue over time or at a point in time. The amendments also clarify when a promised good or service is separately identifiable (i.e., distinct within the context of the contract) and allow entities to disregard items that are immaterial in the context of a contract. In May 2016, the FASB issued ASU 2016-12, “Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients”, which amends the new revenue recognition guidance on transition, collectability, noncash consideration and the presentation of sales and other similar taxes. The amendments also clarify how an entity should evaluate the collectability threshold and when an entity can recognize nonrefundable consideration received as revenue if an arrangement does not meet the standard’s contract criteria.

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 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 November 2015, the FASB issued guidance that changes how deferred taxes are classified on an entity’s balance sheets. The guidance eliminates the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Entities will now be required to classify all deferred tax assets and liabilities as noncurrent. The amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted as of the beginning of any interim or annual reporting period.

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the 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.

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

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 12, 2017, the day the financial statements were approved and authorized for issue.

2. Inventories

Inventories consist of the following at March 31:

	2017	2016
Raw materials	**$ 6,455,985**	$ 5,396,305
Work in process	**7,432,544**	6,775,550
	13,888,529	12,171,855
Less: Inventory obsolescence reserve	**(303,078)**	(269,566)
Inventories	**$ 13,585,451**	$ 11,902,289

3. Property, Plant and Equipment

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

	2017	2016
Land	$ 873,300	$ 873,300
Buildings and improvements	8,296,477	7,800,537
Machinery and equipment	24,701,294	24,392,428
Furniture and fixtures	463,248	396,068
Software	196,832	93,374
Construction in progress	836,942	763,758
	35,368,093	34,319,465
Less: Accumulated depreciation	(21,152,935)	(18,892,945)
Property, Plant and Equipment - Net of Accumulated Depreciation	$ 14,215,158	$ 15,426,520

Depreciation and amortization expense amounted to approximately $2,353,000 for 2017 and $2,261,000 for 2016.

4. Notes Payable and Borrowings - Third Parties

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

	2017	2016
Revolving Line of Credit	$ 4,591,603	$ 3,830,203
Term loan	$ 3,900,000	$ 3,290,625
Delayed Draw Term Loan	-	718,249
Export-Import Bank term note	-	562,500
	3,900,000	4,571,374
Less: Current portion	(780,000)	(2,743,249)
	3,120,000	1,828,125
Less: Unamortized deferred loan costs	(40,010)	(4,445)
Long-term Debt	$ 3,079,990	$ 1,823,680

The Company has a credit agreement (as amended) with Citizens Bank of Pennsylvania (Credit Agreement) that includes a revolving line of credit (Revolver), a Term Loan, and a Delayed Draw Term Loan. 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.

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

On February 28, 2017, the Company entered into the Fifth Amendment to the Credit Agreement under a refinancing arrangement. The amended agreement terminated the previous Term Loan and Delayed Draw Term Loan, and established a new Term Loan Commitment and a Delayed Draw Term Loan Commitment. All principal and interest outstanding on the borrowings under the prior Credit Agreement were repaid on February 28, 2017 in conjunction with the amended credit agreement.

Borrowings of $3,900,000 were issued under the amended Credit Agreement as a Term Loan Commitment (Term Loan). The proceeds received were partially used to pay down the principal and interest of the Revolving Line, Term Loan and Delayed Draw Term Loan under the prior Credit Agreement. The remaining proceeds were used to fund the current portion of accrued royalties and related interest due to EKC Hungary of up to $1,000,000. Payments on the Term Loan are due monthly in equal installments of $65,000 maturing on March 1, 2022, at which point all remaining principal and interest are due in full. As of March 31, 2017, $3,900,000 was outstanding on the Term Loan.

Also as part of the amended Credit Agreement, the Company entered into a Delayed Draw Term Loan Commitment with maximum borrowings of $1,500,000 to fund future accrued royalty payments to EKC Hungary. The commitment period ends on November 30, 2017 and monthly payments commence on December 1, 2017 and continue through the maturity of the Delayed Draw Term Loan. Terms of the loan expire on November 30, 2022. As of March 31, 2017, there were no outstanding borrowings on the Delayed Draw Term Loan.

The revolving line of credit under the amended credit agreement provides the Company with working capital and it is also used for general corporate and business expenses. The maturity date of the Revolver is February 28, 2019 with maximum borrowings of $5,000,000. Commitment fees are equal to 0.25% of the average daily value of the unused Revolver.

The Term Loan, Delayed Draw Term Loan and revolving line of credit bear interest at varying rates ranging from 2.25% - 3.0% based on quarterly leverage ratios plus the one-month LIBOR rate (approximately 0.79% at March 31, 2017).

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, 2017 or 2016.

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.

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

Under the previous credit facility, the Company was required to maintain a bank account in which to deposit $100,000 monthly through May 2015, as additional security for the credit facility. Control of these funds, totaling approximately $300,000, reverted back to the Company on May 31, 2015, which was recorded as a release from restricted cash in the 2015 statement of cash flows.

Export-Import Bank Term Note

The Company had a term note with the Export-Import Bank of India (EXIM) that called for equal quarterly payments of principal along with interest at a rate of six-month LIBOR plus 5.50%, and was scheduled to mature in October 2016. The Company repaid the total outstanding balance in April 2016.

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

Year Ending March 31,		Amount
2018	$	780,000
2019		5,372,000
2020		780,000
2021		780,000
2022		780,000
Total	$	8,492,000

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, 2023. The note payable is unsecured and bears interest at the three-month LIBOR rate plus 1% (2.06% at March 31, 2017). The outstanding borrowings and accrued interest are due on maturity. 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 $1,931,000 at March 31, 2017 and $1,549,000 at March 31, 2016 which are included in accrued interest - related parties in the accompanying balance sheets. The Company incurred interest expense of approximately $382,000 in 2017 and $295,000 in 2016 on the notes payable.

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:

	2017	2016
Projected and accumulated benefit obligation	**$ (6,278,430)**	$ (6,401,282)
Fair value of pension plan assets	**3,959,387**	3,970,454
Under-funded Status at End of Year	**$ (2,319,043)**	$ (2,430,828)

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

	2017	2016
Discount rate	**4.02%**	3.98%
Expected rate of return	**5.00%**	5.00%

Other required disclosures consisted of the following:

	2017	2016
Net periodic pension cost	**$ 260,866**	$ 194,839
Benefits paid	**$ 339,328**	$ 358,762
Contributions	**$ 107,122**	$ -

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, which consist of actuarial gains:

	March 31, 2016	Amounts Arising During Fiscal Year	**March 31, 2017**
Comprehensive loss	$ (2,252,234)	$ 265,529	**$ (1,986,705)**

The Company is required to make contributions of approximately $218,000 to the plan in fiscal year 2018. Additional cash contributions may also be made at the discretion of the Company's management.

6. Retirement Plans (Continued)

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

2017		Level 1		Total
Cash and cash equivalents	$	399,207	$	399,207
Government and corporate bonds				
Fixed income		496,483		496,483
Mutual funds				
Fixed income		2,623,124		2,623,124
Equities		440,573		440,573
Total	$	3,959,387	$	3,959,387

2016		Level 1		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

Mutual funds, equity securities, 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:

	2017	2016
Cash and equivalents	**10%**	2%
Government and corporate bonds	**13%**	16%
Mutual funds	**66%**	82%
Equities	**11%**	0%

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.

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:

Year Ending March 31,		Amount
2018	$	411,000
2019	$	412,000
2020	$	399,000
2021	$	390,000
2022	$	384,000
2023 - 2026	$	1,920,000

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 2017 and 2016. There were no discretionary contributions made to the non-union employees' plan in 2017 or 2016.

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:

		2017		2016
Post-retirement obligation - curent portion	**$**	**(29,072)**	$	(45,093)
Post-retirement obligation - long-term portion		**(205,525)**		(542,130)
	$	**(234,597)**	$	(587,223)

7. Other Post-retirement Benefit Plan (Continued)

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 loss:

	Net (Gain) Loss	Net Prior Service Cost	Total
Balance - April 1, 2015	$ 58,970	$ 124,937	$ 183,907
Actuarial gain	321,474	-	321,474
Amounts reclassified from accumulated other comprehensive loss			
Amortization of			
Actuarial loss	1,795	-	1,795
Prior service credit	-	(12,394)	(12,394)
	1,795	(12,394)	(10,599)
Balance - March 31, 2016	382,239	112,543	494,782
Actuarial gain	88,875	-	88,875
Amounts reclassified from accumulated other comprehensive loss			
Curtailment	-	211,127	211,127
Amortization of			
Actuarial loss	(28,511)	-	(28,511)
Prior service credit	-	(112,543)	(112,543)
	(28,511)	98,584	70,073
Balance - March 31, 2017	$ 442,603	$ 211,127	$ 653,730

The life insurance benefit for salaried retirees was eliminated in 2017 which triggered curtailment accounting. The one-time charge represents the value of the life insurance benefits that will no longer be provided.

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:

	2017	2016
Discount rate	**3.64%**	3.50%

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

		2017		2016
Benefit costs (gain)	**$**	**(20,876)**	$	20,044
Curtailment	**$**	**(145,602)**	$	-
Benefits paid	**$**	**27,200**	$	48,881
Employer contributions	**$**	**27,200**	$	48,881

A curtailment is reflected as of March 31, 2017 due to the elimination of the life insurance benefit for salaried retirees in 2017.

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 $29,000 to the plan in fiscal year 2018 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:

Year Ending March 31,		Amount
2018	$	29,000
2019	$	25,000
2020	$	22,000
2021	$	18,000
2022	$	15,000
2023 - 2026	$	71,000

8. Income Taxes

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

	2017	2016
Currently payable	$ 21,000	$ 21,000
Deferred income taxes		
Net operating losses	810,000	232,000
Temporary differences	60,000	(477,000)
Valuation allowance	(614,000)	501,000
Provision for Income Taxes	$ 277,000	$ 277,000

At March 31, 2017 and 2016, the Company had the following deferred tax assets and liabilities:

	2017	2016
Current deferred tax assets		
Bad debt	$ 43,000	$ 43,000
Inventories	345,000	304,000
Non-deductible accruals	2,530,000	2,469,000
Current asset	2,918,000	2,816,000
Less: Valuation allowance	(2,918,000)	(2,816,000)
Net Current Asset	$ -	$ -

	2017	2016
Non-current deferred tax assets (liabilities)		
Property and equipment	$ (2,287,000)	$ (2,654,000)
Net operating losses	3,671,000	4,481,000
Pension and post-retirement benefits	934,000	1,207,000
Goodwill	(2,303,000)	(2,047,000)
Non-current asset	15,000	987,000
Less: Valuation allowance	(2,318,000)	(3,034,000)
Net Non-current Liability	$ (2,303,000)	$ (2,047,000)

The Company has approximately $9,176,000 of federal and $2,787,000 of state net operating losses which expire through 2034.

The Company's 2014 through 2016 tax years remain subject to examination by the Internal Revenue Service for federal tax purposes and the State of Pennsylvania.

8. Income Taxes (Continued)

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, 2017, the difference between the Company's effective rate and the federal statutory rates is due to permanent differences and the valuation allowance.

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. Under the Agreement, the Company is required to pay in quarterly installments, royalties in the amount of 3% of net sales. During 2017, the Agreement was extended to April 18, 2020. The Company made royalty payments of approximately $989,000 in 2017 to EKC Hungary. No royalty payments were made to EKC Hungary during 2016. The amounts classified as current liabilities on the balance sheet represent management's best estimate of the amount to be paid within the next 12 months.

10. Operating Lease Commitments

The Company leases certain manufacturing equipment and vehicles under operating lease agreements. Total rent expense was approximately $77,000 for 2017 and $136,000 for 2016. Future minimum lease payments are as follows:

Year Ending March 31,		Amount
2018	$	71,000
2019		64,000
2020		49,000
2021		32,000
2022		27,000
	$	243,000

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 $207,000 in 2017 and $281,000 in 2016 which are included in selling, general and administrative expenses.

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, and was classified as a current asset at March 31, 2017 because it is anticipated to be settled in cash prior to March 31, 2018. The prepaid inventory amounts to approximately $1,996,000 at March 31, 2017 and 2016. Amounts in payables related to this purchase were approximately $198,000 in 2017 and 2016. No raw material pipe was purchased from EKCL in 2017 and 2016.

11. Related Party Transactions (Continued)

The Company also purchased other pipe from EKC Tianjin totaling approximately $120,000 in 2017 and $183,000 in 2016.

At March 31, 2017 and 2016, 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 and are classified as a current asset at March 31, 2017 because they are anticipated to be paid within 12 months from the balance sheet date. The accounts payable - related parties is the result of the pipe purchases and services noted above.

12. Major Supplier

The Company purchased approximately 21% of its steel inventory from two suppliers in 2017 and 36% of its steel inventory from two different suppliers in 2016. 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, 2017 and 2016, accounts payable included in the accompanying balance sheets related to these two suppliers were not material.

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, 2017. 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.