The United Distribution Group, Inc.

Consolidated Financial Statements and Consolidating Schedules

December 31, 2016 and 2015

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Report of Independent Auditors

To the Board of Directors and Management of
The United Distribution Group, Inc.

We have audited the accompanying consolidated financial statements of The United Distribution Group, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity (deficit) and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 audit 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 our 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, we consider internal control relevant to the Company'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 Company'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The United Distribution Group, Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the consolidated financial statements, the Company has a financial covenant that it is required to meet as of March 31, 2018. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 20, 2017

The United Distribution Group, Inc.
Consolidated Balance Sheets
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash	$ 14,160,394	$ 12,631,683
Accounts receivable less allowance for doubtful accounts of $1,891,000 and $2,143,000 in 2016 and 2015, respectively	55,042,272	49,084,901
Inventories, net	78,656,199	87,720,654
Income tax receivable	6,694,676	6,599,632
Prepaid expenses and other current assets	1,664,661	1,228,532
Total current assets	156,218,202	157,265,402
Property, plant and equipment, net	20,003,354	22,247,283
Goodwill, net	61,983,216	71,186,640
Intangible assets, net	148,114,805	161,573,698
Other noncurrent assets	202,972	227,697
Total assets	$ 386,522,549	$ 412,500,720
Liabilities and Stockholders’ Equity (Deficit)		
Current liabilities		
Accounts payable	$ 29,760,981	$ 23,371,941
Current portion of long-term debt	2,500,000	2,500,000
Other accrued expenses	9,763,657	7,883,846
Total current liabilities	42,024,638	33,755,787
Long-term debt	378,195,279	363,828,015
Deferred income tax	3,199,875	19,265,408
Other noncurrent liabilities	256,236	145,540
Total liabilities	423,676,028	416,994,750
Stockholders' equity (deficit)		
Common stock, 2,000,000 shares authorized, 1,272,466 and 1,082,357 shares issued and outstanding, respectively (par value of $0.01 per share)	12,724	10,823
Additional paid-in capital	118,153,046	119,779,617
Accumulated deficit	(154,148,775)	(122,719,952)
Accumulated other comprehensive loss	(1,170,474)	(1,564,518)
Total stockholders' equity (deficit)	(37,153,479)	(4,494,030)
Total liabilities and stockholders' equity (deficit)	$ 386,522,549	$ 412,500,720

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

The United Distribution Group, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2016 and 2015

	2016	2015
Net sales	$ 387,791,839	$ 489,149,048
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	293,722,225	370,802,126
Gross profit	94,069,614	118,346,922
Selling, general and administrative expenses	67,441,434	81,478,822
Depreciation and amortization	26,281,080	34,702,967
Impairment of goodwill and intangibles (see note 5)	-	71,495,249
Management fees and expenses	500,003	583,122
Operating loss	(152,903)	(69,913,238)
Other expense (income)		
Interest expense	44,960,173	40,955,263
Other expense (income)	2,688,014	(2,582,356)
Total other expense	47,648,187	38,372,907
Loss before income tax benefit	(47,801,090)	(108,286,145)
Income tax benefit	(16,372,267)	(14,722,285)
Net loss	$ (31,428,823)	$ (93,563,860)

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

The United Distribution Group, Inc.
Consolidated Statements of Comprehensive Loss
Years Ended December 31, 2016 and 2015

	2016	2015
Net loss	$ (31,428,823)	$ (93,563,860)
Other comprehensive loss:		
Foreign currency translation gain (loss)	394,044	(949,459)
Comprehensive loss	$ (31,034,779)	$ (94,513,319)

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

The United Distribution Group, Inc.
Consolidated Statements of Changes in Stockholders' Equity (Deficit)
Years Ended December 31, 2016 and 2015

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
Balances at December 31, 2014	$ 10,772	$ 118,430,244	$ (29,156,092)	$ (615,059)	$ 88,669,865
Equity based compensation	-	349,424	-	-	349,424
Issuances of membership interest	51	999,949	-	-	1,000,000
Net loss	-	-	(93,563,860)	-	(93,563,860)
Foreign currency translation loss	-	-	-	(949,459)	(949,459)
Balances at December 31, 2015	10,823	119,779,617	(122,719,952)	(1,564,518)	(4,494,030)
Equity based compensation	-	(1,725,812)	-	-	(1,725,812)
Issuances of membership interest	1,901	99,241	-	-	101,142
Net loss	-	-	(31,428,823)	-	(31,428,823)
Foreign currency translation gain	-	-	-	394,044	394,044
Balances at December 31, 2016	$ 12,724	$ 118,153,046	$ (154,148,775)	$ (1,170,474)	$ (37,153,479)

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

The United Distribution Group, Inc.
Consolidated Statements of Cash Flows
December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net loss	$ (31,428,823)	$ (93,563,860)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	26,281,080	34,702,967
Impairment of goodwill and intangibles	-	71,495,249
Noncash writeoff of earnout liability	-	(2,833,312)
(Gain) Loss on disposals of property, plant, and equipment	33,200	(151,247)
Amortization of deferred financing costs	4,677,878	4,057,332
Gain on interest rate cap	-	(2,650)
Paid in kind interest	14,310,646	-
Deferred income taxes	(16,065,533)	(8,594,393)
Provision for bad debts	252,000	596,107
Equity based compensation benefit	(1,725,812)	349,424
Changes in operating assets and liabilities, net effects from acquisitions		
Accounts receivable, net	(6,209,371)	35,025,340
Income tax receivable	(95,044)	(7,029,084)
Inventories	9,064,455	24,557,145
Prepaid expenses and other assets	(436,129)	343,307
Other noncurrent assets	24,725	(33,988)
Trade accounts payable	6,389,040	(11,524,352)
Accrued expenses and other liabilities	2,179,855	(3,883,990)
Other noncurrent liabilities	45,984	(1,528,835)
Net cash provided by operating activities	7,298,151	41,981,160
Cash flows from investing activities		
Payments for acquisitions, net of cash acquired	(52,094)	(38,424,653)
Purchases of property, plant, and equipment	(1,537,029)	(2,599,625)
Proceeds from disposals of property, plant, and equipment	187,381	304,344
Net cash used in investing activities	(1,401,742)	(40,719,934)
Cash flows from financing activities		
Proceeds from lines of credit	-	22,000,000
Repayments on lines of credit	-	(22,000,000)
Repayments on long-term debt	(2,500,000)	(1,875,000)
Payments of contingent consideration	(290,000)	-
Payments of deferred financing costs	(1,892,682)	-
Payments of capital leases	(72,768)	(60,548)
Net cash used in financing activities	(4,755,450)	(1,935,548)
Effect of exchange rate changes on cash	387,752	(724,731)
(Increase) Decrease in cash	1,528,711	(1,399,053)
Cash		
Beginning of year	12,631,683	14,030,736
End of Year	$ 14,160,394	$ 12,631,683
Supplemental disclosures of cash flow information		
Cash paid for		
Interest	$ 25,787,049	$ 35,813,152
Taxes	579,671	2,070,087
Supplemental disclosures of noncash financing and investing activities		
Issuance of common shares related to acquisitions	$ -	$ 1,000,000
Issuance of shares related to debt amendment	101,142	-
Noncash additions to deferred financing costs	228,584	-

1. Organization and Nature of Operations

Organization

The accompanying consolidated financial statements present the financial position of The United Distribution Group, Inc. ("UDG") and its wholly owned subsidiaries, United Central Industrial Supply Company, L.L.C. ("United Central") and GHX Holdings LLC ("GHX") (collectively the "Company"). The Company provides industrial supplies to energy-related companies, including those in the upstream and downstream oil and gas, coal mining, and other diversified markets, through branches located throughout the United States. The Company had two branches in Canada but both were closed in 2016.

Principles of Consolidation

The consolidated financial statements include the accounts of UDG and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

2. Significant Accounting Policies

Use of 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 that affect the reported amounts of assets and liabilities and the 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. The Company's most significant estimates include the reserves for bad debts, reserves for slow-moving and obsolete inventory, reserves for product warranties, reserves for uncertain tax positions and recoverability of deferred tax assets, and the assumptions used to determine goodwill and intangible asset valuations and impairments. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents with Federal Deposit Insurance Corporation ("FDIC") financial institutions. At times these cash amounts may be in excess of the FDIC insurance limits. The Company had no cash equivalents at December 31, 2016 or 2015.

Receivables

Accounts receivable are stated at the historical carrying amount net of allowances for doubtful accounts. The Company establishes an allowance for doubtful accounts receivable based on historical experience and any specific customer collection issues that the Company has identified. Doubtful accounts receivable are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined the balance will not be collected.

Inventories

Inventories are stated at the lower of cost or market, with cost being determined by the average cost method for all inventories. A provision for potentially obsolete or slow-moving finished goods and raw materials is made based on management's analysis of inventory levels and future sales forecasts.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets which range from 3 to 40 years. Additions and major replacements are capitalized while expenditures for maintenance and repairs are expensed when incurred. Cost and accumulated depreciation amounts are relieved for dispositions with resulting gains or losses reflected in operations.

The Company evaluates long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When undiscounted future cash flows will not be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Long-lived assets to be disposed of other than by sale are classified as held and used until they are disposed. Long-lived assets to be disposed of by sale are classified as held for sale and are reported at the lower of carrying amount or fair value less cost to sell, and depreciation is ceased.

Rebates from Vendors

The Company receives consideration from vendors as rebates on the purchase of inventory. Such rebates are recorded as a reduction of cost of sales when the related product is sold.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets at the date of acquisition. Goodwill totaled approximately $61,983,000 and $71,187,000 at December 31, 2016 and 2015, respectively.

Intangible assets consist of tradenames, customer and vendor relationships, and noncompete agreements. The Company's United Central tradename is an indefinite lived intangible asset, and accordingly, is not subject to amortization. The trade names related to the GHX acquisition, which includes GHX, McCarty and Robsco, were determined to have lives ranging from 10 to 20 years. Intangible assets subject to amortization are amortized on a straight line basis as follows:

Vendor relationships	15 years
Customer relationships	5 - 20 years
Trade names	2 - 20 years

Debt issuance costs are amortized using the effective interest method over the life of the associated debt and are shown as a reduction of debt.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in either the consolidated financial statements or tax returns, but not both. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statement and tax bases of assets and liabilities using enacted tax rates at the balance sheet dates. Uncertain tax positions are provided for in the year identified and are evaluated annually.

Equity-Based Compensation
The Company accounts for equity-based compensation in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, "Share-Based Payment," which established fair value as the measurement objective in accounting for equity-based payment arrangements and requires companies to apply a fair value based measurement method in accounting for share based payment transactions with employees. Compensation expense is recognized over the vesting period based on the fair value of the instrument at the grant date.

Foreign Currency Translation
Both UC and GHX own operations in Canada that contribute a small portion of each Company's overall operations. Assets and liabilities in foreign currencies are translated into U.S. dollars at the rates in effect at the balance sheet dates. Revenues and expenses are translated at average rates for the period. The net exchange differences resulting from these translations are recorded in accumulated other comprehensive loss. When amounts denominated in a foreign currency are converted into dollars by remittance or repayment, the realized exchange differences are included in net loss. Both Canadian operations were closed in the second half of 2016.

Concentration of Credit Risk
Financial instruments that potentially subject the Company to concentrations of credit risk are principally cash and accounts receivable. The Company places its cash in high credit quality financial institutions. The Company's United Central operations are substantially concentrated in the coal mining industry and the Company's GHX operations are substantially concentrated in the oil and gas industry. As a result, the Company is exposed to risks inherent in these industries, specifically related to the collection of accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited to certain customers to whom the Company makes substantial sales. To reduce risk, the Company routinely assesses the financial strength of its customers and provides reserves when considered appropriate. As a consequence, the Company believes that its accounts receivable credit risk exposure is limited. Three customers represented 10% of the accounts receivable balance at December 31, 2016 and accounted for 11% of net sales for the year then ended. Three customers represented 4% of the accounts receivable balance at December 31, 2015, and accounted for 18% of net sales for the year then ended.

Revenue Recognition
The Company records revenue when title transfers to customers (generally at the point of sale or upon shipment), the product price is fixed and determinable and collection of the resulting receivable is probable.

New Accounting Pronouncements

Revenue Recognition
In May 2014, the FASB issued Accounting Standard Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This new standard provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. The core principle of the new 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 an entity expects to be entitled in exchange for those goods or services, which could potentially result in changes in the amount and timing of revenue recognition for certain transactions. The new guidance allows for either a "full retrospective" or a "modified retrospective" method of application and also requires significantly expanded disclosures

regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments regarding the amount and timing of revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date,” which defers the effective date of ASU No. 2014-09 for all entities by one year. For nonpublic companies, ASU No. 2014-09 is now effective for annual reporting periods beginning after December 15, 2018 and permits some options for early adoption, the earliest of which is for annual reporting periods beginning after December 15, 2016. Management is currently evaluating the impact of this new guidance on its consolidated financial statements.

Accounting for Leases
In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” This new topic, which supersedes Topic 840, “Leases,” applies to all entities that enter into a contract that is or contains a lease, with some specified scope exemptions. This new standard requires lessees to evaluate whether a lease is a finance lease using criteria similar to those a lessee uses under current accounting guidance to determine whether it has a capital lease. Leases that do not meet the criteria for classification as finance leases by a lessee are to be classified as operating leases. Under the new standard, for each lease classified as an operating lease, lessees are required to recognize on the balance sheet: (i) a right-of-use (“ROU”) asset representing the right to use the underlying asset for the lease term and (ii) a lease liability for the obligation to make lease payments over the lease term. Lessees can make an accounting policy election, by class of underlying asset, to not recognize ROU assets and lease liabilities for leases with a lease term of 12 months or less as long as the leases do not include options to purchase the underlying assets that the lessee is reasonably certain to exercise. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee and the accounting for leases by lessors have not significantly changed from current accounting guidance. This standard also requires an entity to disclose key information (both qualitative and quantitative) about the entity’s leasing arrangements. For nonpublic companies, this new standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Upon adoption, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. Management is currently evaluating the impact of this new guidance on its consolidated financial statements.

Going Concern Evaluation
Under ASC 205-40, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern,” which is effective for years ending after December 15, 2016 and for annual and interim periods thereafter, an entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Management’s evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued (or at the date that the financial statements are available to be issued when applicable). Substantial doubt about an entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or available to be issued).

Management’s evaluation in regard to its ability to remain a going concern is included in Note 12.

3. Acquisitions

Hose & Fittings Inc.

In January, 2015, the Company completed an acquisition of the net assets and operations of Hose & Fittings Inc. ("HFI") for total consideration of $29,000,000. The acquisition was funded with existing cash resources.

HFI is a value added supplier of fluid transfer products to upstream oil and gas markets with an emphasis on subsea applications. The acquired business contributed revenues of approximately $17,000,000 and earnings of approximately $4,000,000 to the Company for the period from January, 2015 to December 31, 2015.

The following table summarizes the consideration transferred to acquire the net assets of HFI and the amounts of identified assets acquired and liabilities assumed at the acquisition date.

Fair value of consideration transferred:

Cash	$	28,000,000
Issuance of UDG stock		1,000,000
	$	29,000,000

Recognized amounts of identifiable assets acquired and liabilities assumed:

Accounts receivable	$	2,551,865
Inventory		4,091,017
Prepaid expenses		10,000
Property and equipment		372,445
Other intangibles		1,050,000
Other assets		1,000
Accounts payable		(633,925)
Other liabilities		(259,489)
Total identifiable net assets		7,182,913
Goodwill		21,817,087
	$	29,000,000

Goodwill represents the value of the workforce of the acquired business and the synergies expected to arise after the combination.

Fugitt Rubber & Supply

In March, 2015, the Company completed an acquisition of the net assets and operations of Fugitt Rubber & Supply ("Fugitt Rubber") for total consideration of approximately $7,285,000. The acquisition was funded with existing cash resources.

Fugitt Rubber is a value added supplier of fluid sealing and fluid transfer products with locations in Memphis and Jackson, Tennessee. The acquired business contributed revenues of approximately $6,700,000 and earnings of approximately $1,000,000 to the Company for the period from March, 2015 to December 31, 2015.

The following table summarizes the consideration transferred to acquire the assets of Fugitt Rubber and the amounts of identified assets acquired and liabilities assumed at the acquisition date.

Fair value of consideration transferred:

Cash	$	7,285,121

Recognized amounts of identifiable assets acquired and liabilities assumed:

Accounts receivable	$	834,139
Inventory		1,144,202
Prepaid expenses		900
Property and equipment		405,281
Other intangibles		528,084
Other assets		8,454
Accounts payable		(257,057)
Other liabilities		(131,622)
Total identifiable net assets		2,532,381
Goodwill		4,752,740
	$	7,285,121

The goodwill represents the value of the workforce of the acquired business and the synergies expected to arise after the Company's acquisition.

Valley of Birmingham & Anchor Industrial Sales

In June, 2015, the Company completed an acquisition of the net assets and operations of Valley of Birmingham ("Valley") for total consideration of approximately $1,858,000. In September, 2015, the Company completed an acquisition of the net assets and operations of Anchor Industrial Sales ("Anchor") for total consideration of approximately $1,210,000. Both acquisitions were funded with existing cash resources.

Valley is a value added supplier of fluid sealing products to customers in the southeast U.S. Anchor is a value added supplier and distributor of fluid sealing products in North Carolina.

The following table summarizes the consideration transferred to acquire the net assets of Valley and Anchor, and the amounts of identified assets acquired and liabilities assumed at the acquisition date.

Fair value of consideration transferred:

Cash	$	3,068,163

Recognized amounts of identifiable assets acquired and liabilities assumed:

Accounts receivable	$	689,146
Inventory		718,545
Property and equipment		491,000
Other intangibles		195,905
Other assets		609
Accounts payable		(470,450)
Other liabilities		(319,726)
Total identifiable net assets		1,305,029
Goodwill		1,763,134
	$	3,068,163

4. Property, Plant and Equipment, Net

Property, plant and equipment consist of the following:

		2016		2015
Land	$	1,747,786	$	1,750,321
Buildings		10,125,997		10,235,828
Machinery and equipment		14,788,386		14,618,010
Transportation equipment		10,250,086		10,685,577
Furniture and fixtures		5,894,346		5,808,750
Construction in Process		272,495		10,133
		43,079,096		43,108,619
Less: Accumulated depreciation		23,075,742		20,861,336
	$	20,003,354	$	22,247,283

Depreciation expense for the years ended December 31, 2016 and 2015 was approximately $3,567,000 and $3,970,000, respectively.

5. Goodwill and Intangible Assets

In accordance with ASU No. 2014-02, the Company amortizes goodwill on a straight-line basis over 10 years. Goodwill amortization expense was approximately $9,256,000 and $15,844,000 for the years ended December 31, 2016 and 2015, respectively.

The Company is required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level when a triggering event occurs that indicates that the fair value of the entity or reporting unit may be below its carrying amount. The Company has elected to test goodwill for impairment at the entity level. In 2015, the Company identified a triggering event and performed an entity level valuation. As a result, the Company recorded an impairment charge totaling approximately $45,367,000 for December 31, 2015 primarily reflecting a reduction in expected discounted cash flows from the adverse market conditions in the mining industry in which the Company operates. The Company determined that there was no triggering event for the year ended December 31, 2016.

Additionally, the Company adopted ASU No. 2014-18, “Accounting for Identifiable Intangible Assets in a Business Combination,” which provides non-public companies a simplified alternative for accounting for certain intangible assets acquired in a business combination. Under this standard, customer-related intangible assets (unless they are capable of being sold or licensed independently from other assets of the business) and all non-compete agreements would not be recognized separately and instead would be subsumed into goodwill. Once elected, this accounting alternative would be applied to all future business combinations. The Company adopted this guidance for the period ended December 31, 2015 and did not value customer related intangibles or non-compete agreements in connection with the acquisitions discussed in Note 3.

Intangible assets subject to amortization consist of the following as of December 31:

	2016				
	Amortization Period (years)	Cost	Accumulated Amortization	Impairment	Net Book Value
Goodwill	10	$ 158,179,643	$ (96,196,427)	$ -	$ 61,983,216
Trade Name	10 - 20	59,111,337	(32,735,878)	-	26,375,459
Noncompete agreements	3	4,163,793	(4,163,793)	-	-
Leasehold positions	3 - 5	(211,000)	171,135	-	(39,865)
Supplier relationships	15	41,730,000	(30,335,100)	-	11,394,900
Customer relationships	15 - 20	151,674,847	(53,390,536)	-	98,284,311
Total intangible assets		$ 414,648,620	$ (216,650,599)	$ -	$ 197,998,021

	2015				
	Amortization Period (years)	Cost	Accumulated Amortization	Impairment	Net Book Value
Goodwill	10	$ 158,127,549	$ (41,573,660)	$ (45,367,249)	$ 71,186,640
Trade Name	10 - 20	59,111,337	(6,695,663)	(23,600,000)	28,815,674
Noncompete agreements	3	4,163,793	(3,975,138)	-	188,655
Leasehold positions	3 - 5	(211,000)	111,335	-	(99,665)
Supplier relationships	15	41,730,000	(26,302,092)	(1,529,000)	13,898,908
Customer relationships	15 - 20	151,674,847	(44,005,721)	(999,000)	106,670,126
Total intangible assets		$ 414,596,526	$ (122,440,939)	$ (71,495,249)	$ 220,660,338

Amortization expense for long-lived intangible assets excluding goodwill was approximately $13,458,000 and $30,733,000 for the years ended December 31, 2016 and 2015, respectively, and is included in amortization expense in each year.

Estimated amortization of intangible assets including goodwill over the next five years is as follows:

2017	$ 22,321,772
2018	22,218,029
2019	22,138,559
2020	21,928,548
2021	18,655,893
Thereafter	90,735,220
Total	$ 197,998,021

Intangible assets not subject to amortization consisted of the Company's United Central trade name which totaled $12,100,000 at December 31, 2016 and December 31, 2015. In 2015, the Company recorded an impairment charge of $23,600,000 to reduce the United Central trade name to its fair value based on reduced future revenue expectations related to market declines in the U.S. coal markets in which United Central operates.

6. Long-Term Debt

The following are the amounts outstanding under the Company's debt agreements at December 31:

	2016	2015
Term loan 1st Lien	$ 240,000,000	$ 242,500,000
Term loan 2nd Lien	149,310,646	135,000,000
	389,310,646	377,500,000
Less: Debt issuance costs	8,615,367	11,171,985
Less: Current maturities	2,500,000	2,500,000
	$ 378,195,279	$ 363,828,015

On October 9, 2012, the Company entered into a two tier credit facility with several lenders to fund the acquisition of GHX. The 1st Lien facility of $290,000,000 consisting of a $250,000,000 term loan and a $40,000,000 revolving line of credit and a 2nd Lien term loan of $135,000,000. The 1st Lien term loan requires quarterly principal payments of $625,000 through September 30, 2018, followed by a payment of $235,625,000 on October 9, 2018. Through April 2016, interest on the 1st Lien term loan and revolver accrued at the higher of LIBOR or 1.25% plus 6.25% per annum (7.50% at December 31, 2015). The 2nd Lien term loan requires no payments until a balloon payment of $135,000,000 on April 9, 2019. Through April 2016, interest on the 2nd Lien term loan accrued at the higher of LIBOR or 1.25% plus 11.25% per annum (12.50% at December 31, 2015).

Effective May 20, 2016, the Company amended its 1st Lien and 2nd Lien credit facilities. Key terms of the amendment include: (a) the financial covenant is deferred to the quarterly period ending December 31, 2017; (b) the committed amount of the revolving credit facility was reduced from $40,000,000 to $25,000,000; (c) interest on the 2nd lien facility will be paid-in-kind ("PIK") at a 15% rate at least through December 31, 2017; (d) the Company paid 1st Lien holders a fee of .5% on the outstanding commitment (approximately $1,400,000) and agreed to a 1% increase in the interest rate during the remainder of the loan period; (f) the Company gave the 2nd Lien holders equity equal to 15% of the outstanding units and (g) increased limitations on asset acquisitions, capital spending, asset sales and provisions to pay down 1st Lien indebtedness if excess cash is accumulated. In conjunction with the second amendment, the Company issued warrants to 2nd Lien holders, such that if certain financial covenants are not met or other arrangements made, the warrants become exercisable. Upon exercise, the 2nd Lien holders would obtain an additional 80% equity stake at $0.00001 per share. These warrants were determined to be classified as a liability under ASC 815-40, and a liability of $127,000 was recorded as of December 31, 2016.

In March 2017, the Company reached agreement with its 1st Lien and 2nd Lien lenders to amend the credit facilities to further defer the application of the financial covenant from December 31, 2017 to March 31, 2018. The Company paid a fee of approximately $400,000 related to the amendment. Deferred financing costs related to the debt issuance of approximately $25,704,000 and $23,400,000, of which approximately $8,615,000 and $11,172,000 is unamortized as of December 31, 2016 and December 31, 2015, respectively, is shown above as a reduction of debt. Amortization expense for the years ended December 31, 2016 and 2015 related to debt issuance costs was approximately $4,678,000 and $4,057,000, respectively, and is included in interest expense. These costs will be amortized through the income statement over the life of the loan. All assets owned by the Company serve as collateral on the senior term loan and revolving credit agreement.

The revolving line of credit agreement expires on October 9, 2017 and carries a commitment fee of 0.50% per annum on the average daily unused portion of the commitment, payable quarterly in arrears. No borrowings exist under the line of credit agreement as of December 31, 2016 or 2015.

Under the terms of the loans and revolving credit agreement, the Company is subject to a maximum leverage ratio covenant that is measured quarterly. As discussed more fully in Note 12, subsequent to December 31, 2016, the Company amended its 1st and 2nd Lien facilities in order to maintain its compliance with the agreements.

In addition to scheduled maturities, the term note agreement requires mandatory prepayments of principal under certain circumstances including 25% -75% of excess cash flow depending on the leverage ratio at the financial statement date, as defined in the term note agreement. Any amounts payable as a result of excess cash flow are due and payable on the 120th day following the close of the Company's fiscal year. There was no mandatory prepayment at December 31, 2016.

At December 31, 2016, future scheduled debt repayments are as follows:

2017	$ 2,500,000
2018	237,500,000
2019	149,310,646
Total	$ 389,310,646

7. Commitments

The Company leases office equipment and warehouse space under operating lease agreements expiring in various years through 2023. Rent expense for the years ended December 31, 2016 and 2015 totaled approximately $6,372,000 and $7,126,000, respectively. Minimum future rental payments under these noncancelable operating leases having original terms in excess of one year are as follows:

2017	$ 5,522,612
2018	3,928,269
2019	3,090,492
2020	2,090,719
2021	1,216,249
Thereafter	2,525,397
Total	$ 18,373,738

8. Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in either the consolidated financial statements, tax returns or both. Deferred tax liabilities and assets are determined based on the difference between financial statement and tax bases of assets and liabilities using enacted tax rates. The effects on deferred tax assets and liabilities of subsequent changes in the tax laws and rates are recognized in operations during the year the changes are enacted.

In November 2015, new accounting guidance was issued that requires entities to present deferred tax assets and deferred tax liabilities, along with any related valuation allowance, as noncurrent in a balance sheet. The Company adopted the guidance in 2015.

The income tax benefit for the years ended December 31, 2016 and 2015 is comprised of the following:

	2016	2015
Current		
Federal	$ (721,641)	$ (6,155,934)
Foreign	-	(30,580)
State	414,907	58,622
Current income tax benefit	(306,734)	(6,127,892)
Deferred		
Federal	(14,052,358)	(7,916,319)
State	(2,013,175)	(678,074)
Deferred income tax benefit	(16,065,533)	(8,594,393)
Total income tax benefit	$ (16,372,267)	$ (14,722,285)

The provision for income taxes is different from the amount computed by applying the federal income tax statutory rate of 34% to income before income taxes primarily due to state taxes, nondeductible goodwill amortization and nondeductible costs associated with acquisitions of businesses.

The components of deferred tax assets and deferred tax liabilities at December 31, are as follows:

	2016	2015
Deferred tax assets		
Accounts receivable	$ 191,049	$ 377,181
Inventory	4,555,480	5,042,275
Goodwill	2,851,266	1,263,022
Accrued liabilities	426,053	483,386
Stock-based compensation	3,819,421	4,475,459
Other	57,726	17,460
Capitalized loan costs	82,912	125,111
Net operating loss carryforwards	9,287,711	-
Accrued interest	5,373,084	-
	26,644,702	11,783,894
Deferred tax liabilities		
Intangible assets	27,072,560	27,901,166
Property, plant and equipment	2,772,017	3,148,136
	29,844,577	31,049,302
Net deferred tax liability	$ (3,199,875)	$ (19,265,408)

In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which the temporary differences become deductible. At December 31, 2016, the Company had federal net operating loss carryforwards of approximately $25,109,251, which expire beginning after 2036 and state net operating loss carryforwards of approximately $39,545,427, which expire beginning after 2021.

The Company follows the provisions of ASC 740 Income Taxes, in accounting for uncertain tax positions. The tax benefit from an uncertain tax position may be recognized only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Interest and penalties, if applicable, related to income tax liabilities are classified as a component of tax expense when incurred.

The Company or one of its subsidiaries files income tax returns in the United States federal jurisdiction, various state and local jurisdictions, and one foreign jurisdiction. As of December 31, 2016, the Company is subject to U.S. federal income tax examinations and various state and local income tax examinations for the tax years 2012 through 2016.

9. Related Party Transactions

ASP United/GHX Investco LP (“LP”), the majority owner of UDG provides certain management services to the Company for which the Company is charged a management fee. Additionally, the Company reimburses LP for all travel expenses related to their management of the Company. Management fees of $500,000 were accrued for both 2016 and 2015. However, in connection with the May 2016 amendment to the 1st and 2nd Lien credit facilities, payment of such fees has been deferred until certain future criteria are met. Expense reimbursements totaled approximately $38,000 and $83,000 during 2016 and 2015, respectively.

10. Employee Benefit Plans

United Central has a defined contribution profit sharing plan (the “PSP”) covering substantially all employees who have met certain service and age requirements. The provisions of the PSP allow employees to contribute up to 75% of their base earnings and provide for matching United Central contributions for the first 4% of an employee’s base earnings. In addition to the matching contribution, United Central has in place a profit sharing plan whereby employees are eligible to receive an annual contribution to their retirement accounts. The amount of United Central’s profit sharing contribution is determined by the Board of Directors and is paid monthly.

GHX has a 401(k) plan that provides for discretionary matching and discretionary profit sharing contribution by GHX. Both the UC and GHX 401k plans are handled under a single umbrella. For GHX, the matching percentage was 0% of the first 3% of compensation and 3% of the first 6% of compensation, subject to certain Internal Revenue Service limitations, for the years ended December 31, 2016 and 2015, respectively. In addition to the matching contribution, GHX has in place a profit sharing plan whereby employees are eligible to receive an annual contribution to their retirement accounts. The amount of GHX’s profit sharing contribution is determined by the Board of Directors and is paid annually, if awarded.

The Company’s profit sharing contributions including matching contributions for the years ended December 31, 2016 and 2015 was approximately $43,000 and $642,000, respectively.

During 2016, the Company entered into a new long term incentive plan (the “LTIP”) for certain key employees under which a sliding scale percentage of the proceeds from the sale of the Company would be paid to a bonus pool to be shared by LTIP participants. If sale proceeds are less than $250 million, there would be no payment due under the LTIP. In order for the transaction to qualify, such transaction shall have been consummated at or prior to October 17, 2021. Given the contingent nature of any award, no accounting recognition has been given to the LTIP.

11. Stock Options

The Company adopted a stock option plan (the “Plan”) as of April 28, 2006 that provides for the grant of stock options to employees, officers and directors. The Plan was amended and restated on September 28, 2012 in connection with the GHX acquisition. Under the Plan, 225,000 shares of the Company’s common stock have been reserved for issuance. At December 31, 2016 and 2015, 15,775 and 222,300 options, respectively, are outstanding under the Plan. Stock options issued under the Plan provide for vesting over a five year term in the event that annual or competitive performance targets, as defined in the option agreement, are met. All previously unvested options automatically vest five years from the date of grant. All outstanding awards have contractual lives of ten years.

Transactions under the Plan are summarized as follows:

	Number of Options		Weighted-Average Exercise Price
Options outstanding December 31, 2014	217,500	$	72.35
Granted	7,900		96.64
Forfeited	(3,100)		151.13
Options outstanding December 31, 2015	222,300		71.99
Granted	-		
Forfeited	(206,525)		74.42
Options outstanding December 31, 2016	15,775	$	134.29

At December 31, 2016 and 2015, 5,700 and 127,745 options, respectively, were vested and exercisable. The weighted average remaining contractual life of the options outstanding at December 31, 2016 and 2015 was approximately 5.75 years and 2.92 years, respectively.

The Company follows the provisions of ASC Topic 718, which requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the consolidated financial statements based on their fair values. In 2016, the Company had several voluntary terminations of pre-vested shares in 2016 resulting in a reversal of previously recognized expenses. Compensation (benefit) expense related to the share based payment awards for the years ended December 31, 2016 and 2015 was approximately $(1,726,000) and $349,000, respectively, and is included as a component of general and administrative expenses. As of December 31, 2016, total unrecognized compensation expense related to nonvested units was approximately $7,000. The Company elected to use the Black-Scholes Valuation Model to calculate the fair value of the options awarded. The following assumptions were used to derive the fair values of the options awarded on December 1, 2015, October 19, 2015, and January 2, 2015:

Option Issuance Date	Expected Term	Annualized Volatility Rate	Risk-free Interest Rate	Dividend Yield
December 1, 2015	3	27.00%	1.19%	-
October 19, 2015	3	27.00%	0.85%	-
January 2, 2015	3	27.00%	1.09%	-

12. Covenant Requirement / Management's Going Concern Evaluation

UDG's credit agreements contain a financial covenant governing the maximum leverage multiple of EBITDA that can exist for quarterly periods. The required covenant is based on adjusted EBITDA, which excludes from EBITDA agreed, pro forma and non-recurring items.

During 2015 and 2016 the Company's primary end markets (coal and oil and gas) both suffered a combination of adverse market conditions, an adverse regulatory market and other factors which combined to materially reduce customer activities. These combined conditions adversely impacted UDG's financial results causing the leverage multiple to change from being below the required maximum per the credit agreement at the end of 2014 to the point that the Company would no longer be able comply by the end of December 2015. Prior to any default, as more fully discussed in Note 6, the Company reached an agreement with its lenders to remove the leverage test for the quarterly periods from December 31, 2015 through September 30, 2017.

During 2015 and 2016 the Company took aggressive actions to close or rework underperforming branches, to reduce fixed costs, including rent and compensation, such that UDG was able to maintain positive EBITDA and cash flows from operations and fully service debt requirements. Since mid-year 2016, there has been improvement in end markets and, correspondingly, in the Company's financial results. In addition, in March of 2017, the Company and its lenders amended its Credit Agreement and deferred the requirement for the leverage covenant from December 31, 2017 to the quarter ending March 31, 2018.

Based on market information available to the Company, management believes that the more favorable market trends and continuing benefits from its cost cutting actions will result in improvements in the Company's operating results. The Company believes it will meet the amended debt covenant requirement under its credit agreement as of March 31, 2018. The Company also believes that improving its results could also provide it the opportunity to, among other things, further amend or refinance the existing credit agreements. While management believes the assumptions underlying its projections are reasonable based on currently available information, there can be no assurances that these assumptions will ultimately prove to be accurate, and/or the Company will be able to comply with its debt covenant requirements in the future and, accordingly, liquidity, operating results, and the Company's ability to amend existing or obtain new sources of funding could be negatively impacted.

13. Subsequent Events

Effective March 6, 2017, the Company reached an agreement with its 1st Lien and 2nd Lien lenders to amend the credit facilities to further defer the application of the financial covenant from December 31, 2017 to March 31, 2018. Refer to Note 6 for further information.

The Company evaluated transactions occurring after December 31, 2016 in accordance with FASB ASC Topic 855, "Subsequent Events," through March 20, 2017, which is the date the consolidated financial statements were available for issuance.

Accompanying Consolidating Information

Report of Independent Auditors

To the Board of Directors and Management of
The United Distribution Group, Inc.

We have audited the consolidated financial statements of The United Distribution Group, Inc. as of December 31, 2016 and for the year then ended and our report thereon appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual companies.

PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 20, 2017

The United Distribution Group, Inc.
Consolidating Balance Sheet
December 31, 2016 — Schedule I

	United Distribution Group, Inc.	United Central Industrial Supply Company, L.L.C.	GHX Holdings, L.L.C.	Eliminations	Consolidated
Assets					
Current assets					
Cash	$ 7,551	$ 7,621,295	$ 6,531,548	$ -	$ 14,160,394
Accounts receivable, net	-	19,945,612	35,096,660	-	55,042,272
Accounts receivable, related party	219,997	339,366,900	(30,374,257)	(309,212,640)	-
Inventories, net	-	32,185,343	46,470,856	-	78,656,199
Income tax receivable	3,907,996	-	2,786,680	-	6,694,676
Prepaid expenses and other current assets	-	686,621	978,040	-	1,664,661
Total current assets	4,135,544	399,805,771	61,489,527	(309,212,640)	156,218,202
Property, plant and equipment, net	-	10,056,629	9,946,725	-	20,003,354
Goodwill, net	-	3,116,766	58,866,450	-	61,983,216
Intangible assets, net	-	34,593,423	113,521,382	-	148,114,805
Other noncurrent assets	-	-	202,972	-	202,972
Investment in subsidiaries	183,926,325	-	-	(183,926,325)	-
Total assets	$ 188,061,869	$ 447,572,589	$ 244,027,056	$ (493,138,965)	$ 386,522,549
Liabilities and Stockholders' Equity (Deficit)					
Current liabilities					
Accounts payable	$ -	$ 15,131,848	$ 14,629,133	$ -	$ 29,760,981
Accounts payable, related party	231,840,837	-	-	(231,840,837)	-
Current portion of long-term debt	-	2,500,000	-	-	2,500,000
Other accrued expenses	-	1,600,856	8,162,801	-	9,763,657
Total current liabilities	231,840,837	19,232,704	22,791,934	(231,840,837)	42,024,638
Long-term debt	(165,526)	378,360,805	-	-	378,195,279
Deferred income tax	(6,587,399)	-	9,787,274	-	3,199,875
Other noncurrent liabilities	127,436	45,984	82,816	-	256,236
Total liabilities	225,215,348	397,639,493	32,662,024	(231,840,837)	423,676,028
Common stock	12,724	-	-	-	12,724
Additional paid-in capital	118,153,046	95,902,565	244,702,185	(340,604,750)	118,153,046
(Accumulated deficit) retained earnings	(154,148,775)	(45,139,728)	(32,996,421)	78,136,149	(154,148,775)
Accumulated other comprehensive (loss) income	(1,170,474)	(829,741)	(340,732)	1,170,473	(1,170,474)
Total stockholders' equity (deficit)	(37,153,479)	49,933,096	211,365,032	(261,298,128)	(37,153,479)
Total liabilities and stockholders' equity (deficit)	$ 188,061,869	$ 447,572,589	$ 244,027,056	$ (493,138,965)	$ 386,522,549

Prepared by management in accordance with generally accepted accounting principles.

The United Distribution Group, Inc.
Consolidating Statement of Operations
Year Ended December 31, 2016 Schedule II

	United Distribution Group, Inc.	United Central Industrial Supply Company, L.L.C.	GHX Holdings, L.L.C.	Eliminations	Consolidated
Net sales	$ -	$ 160,744,574	$ 227,047,265	$ -	$ 387,791,839
Cost of goods sold (exclusive of depreciation and amortization shown separately below)	-	131,280,315	162,441,910	-	293,722,225
Gross profit	-	29,464,259	64,605,355	-	94,069,614
Selling, general and administrative expenses	(1,725,385)	20,276,435	48,890,384	-	67,441,434
Depreciation and amortization	-	6,871,100	19,409,980	-	26,281,080
Impairment of goodwill and intangibles (see note 5)	-	-	-	-	-
Management fees and expenses	-	500,003	-	-	500,003
Operating (loss) income	1,725,385	1,816,721	(3,695,009)	-	(152,903)
Other expense (income)					
Interest expense	63,057	24,004,520	20,892,596	-	44,960,173
Other income	-	130,639	2,557,375	-	2,688,014
Total other expense	63,057	24,135,159	23,449,971	-	47,648,187
Loss before equity in net loss of subsidiaries and income tax (benefit) expense for income taxes	1,662,328	(22,318,438)	(27,144,980)	-	(47,801,090)
Equity in loss of subsidiaries	(41,216,027)	-	-	41,216,027	-
(Loss) before income tax (benefit) expense	(39,553,699)	(22,318,438)	(27,144,980)	41,216,027	(47,801,090)
Income tax (benefit) expense	(8,124,876)	-	(8,247,391)	-	(16,372,267)
Net loss	$ (31,428,823)	$ (22,318,438)	$ (18,897,589)	$ 41,216,027	$ (31,428,823)

Prepared by management in accordance with generally accepted accounting principles.

The United Distribution Group, Inc.
Consolidating Statement of Cash Flows
Year Ended December 31, 2016 — Schedule III

	The United Distribution Company	United Central Industrial Supply Company, L.L.C.	GHX Holdings, L.L.C.	Eliminations	Consolidated
Cash flows from operating activities					
Net loss	$ (31,428,823)	$ (22,318,438)	$ (18,897,589)	$ 41,216,027	$ (31,428,823)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities					
Depreciation and amortization	-	6,871,100	19,409,980	-	26,281,080
Impairment of goodwill and intangibles	-	-	-	-	-
Noncash writeoff of earnout liability	-	-	-	-	-
(Gain) Loss on disposals of property, plant, and equipment	-	(68,046)	101,246	-	33,200
Amortization of deferred financing costs	63,058	4,614,820	-	-	4,677,878
Gain on interest rate cap	-	-	-	-	-
Paid in kind interest	-	14,310,646	-	-	14,310,646
Deferred income taxes	(7,627,858)	-	(8,437,675)	-	(16,065,533)
Provision for bad debts	-	43,858	208,142	-	252,000
Equity based compensation benefit	(1,725,812)	-	-	-	(1,725,812)
Investment in subsidiary	40,647,040	-	-	(40,647,040)	-
Changes in operating assets and liabilities, net effects from acquisitions					
Accounts receivable, net	-	(1,847,032)	(4,362,339)	-	(6,209,371)
Income tax receivable	71,971	-	(167,015)	-	(95,044)
Due from affiliates, net	-	(1,618,306)	1,618,306	-	-
Inventories	-	2,065,537	6,998,918	-	9,064,455
Prepaid expenses and other assets	-	(209,792)	(226,337)	-	(436,129)
Other noncurrent assets	-	-	24,725	-	24,725
Trade accounts payable	-	4,108,669	2,280,371	-	6,389,040
Accrued expenses and other liabilities	-	364,633	1,815,222	-	2,179,855
Other noncurrent liabilities	-	45,984	-	-	45,984
Net cash (used in) provided by operating activities	(424)	6,363,633	365,955	568,987	7,298,151
Cash flows from investing activities					
Payments for acquisitions, net of cash acquired	-	-	(52,094)	-	(52,094)
Purchases of property, plant, and equipment	-	(910,739)	(626,290)	-	(1,537,029)
Proceeds from disposals of property, plant, and equipment	-	81,705	105,676	-	187,381
Net cash used in investing activities	-	(829,034)	(572,708)	-	(1,401,742)
Cash flows from financing activities					
Proceeds from lines of credit	-	-	-	-	-
Repayments on lines of credit	-	-	-	-	-
Repayments on long-term debt	-	(2,500,000)	-	-	(2,500,000)
Payments of contingent consideration	-	-	(290,000)	-	(290,000)
Payments of deferred financing costs	(6)	(1,892,676)	-	-	(1,892,682)
Payments of capital leases	-	-	(72,768)	-	(72,768)
Tax (deposits) refunds made to or for members	-	568,987	-	(568,987)	-
Net cash (used in) provided by financing activities	(6)	(3,823,689)	(362,768)	(568,987)	(4,755,450)
Effect of exchange rate changes on cash	-	34,623	353,129	-	387,752
Increase (Decrease) in cash	(430)	1,745,533	(216,392)	-	1,528,711
Cash					
Beginning of year	7,981	5,875,762	6,747,940	-	12,631,683
End of year	$ 7,551	$ 7,621,295	$ 6,531,548	$ -	$ 14,160,394

Prepared by management in accordance with generally accepted accounting principles.