CONDOR INTERMEDIATE HOLDING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
December 28, 2019

CONDOR INTERMEDIATE HOLDING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
December 28, 2019

CONTENTS

INDEPENDENT AUDITOR’S REPORT 1

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET 3

CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS 4

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER’S EQUITY 5

CONSOLIDATED STATEMENT OF CASH FLOWS 6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.. 7

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder
Condor Intermediate Holding Corporation
Nicholasville, Kentucky

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Condor Intermediate Holding Corporation, which comprise the consolidated balance sheet as of December 28, 2019, and the related, consolidated statement of operations and comprehensive loss, changes in stockholder's equity, and cash flows for the period from May 30, 2019 to December 28, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Condor Intermediate Holding Corporation as of December 28, 2019, and the results of its operations and its cash flows for the period from May 30, 2019 to December 28, 2019 in accordance with accounting principles generally accepted in the United States of America.

Crowe LLP

Lexington, Kentucky
June 5, 2020

CONDOR INTERMEDIATE HOLDING CORPORATION
CONSOLIDATED BALANCE SHEET
December 28, 2019

ASSETS	
Current assets	
Cash and cash equivalents	$ 2,568,513
Accounts receivable, net	11,361,836
Inventories, net	22,956,019
Income taxes receivable	97,694
Other current assets	258,761
Total current assets	37,242,823
Property, plant and equipment, net	12,527,992
Goodwill, net	95,044,624
Intangible assets, net	24,395,092
Other assets	47,242
Total assets	$ 169,257,773
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities	
Accounts payable	$ 5,219,308
Accrued expenses	4,614,090
Current portion of long-term debt	1,850,160
Total current liabilities	11,683,558
Deferred income taxes	959,117
Long-term debt	87,970,188
Total liabilities	100,612,863
Stockholder's equity	
Common stock, $.01 par, 1,000 shares authorized, issued, and outstanding	10
Additional paid-in capital	77,027,601
Accumulated deficit	(8,352,184)
Accumulated other comprehensive loss	(30,517)
Total stockholder's equity	68,644,910
Total liabilities and stockholder's equity	$ 169,257,773

See accompanying notes to consolidated financial statements.

CONDOR INTERMEDIATE HOLDING CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
Period from May 30, 2019 to December 28, 2019

Sales, net	$ 25,065,156
Cost of sales	16,094,038
Gross margin	8,971,118
Selling, general and administrative expenses	11,030,595
Income before other income (expense)	(2,059,477)
Other income (expense)	
Transaction costs	(6,066,104)
Interest expense, net	(2,157,947)
Other, net	627
Total other income (expenses)	(8,223,424)
Loss before income taxes	(10,282,901)
Income tax benefit	(1,930,717)
Net loss	(8,352,184)
Comprehensive loss	
Foreign currency translation adjustment	(30,517)
Total comprehensive loss	$ (8,382,701)

See accompanying notes to consolidated financial statements.

CONDOR INTERMEDIATE HOLDING CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
Period from May 30, 2019 to December 28, 2019

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balances, May 30, 2019	$ -	$ -	$ -	$ -	$ -
Issuance of common stock	10	77,027,601	-	-	77,027,611
Net loss	-	-	(8,352,184)	-	(8,352,184)
Currency translation adjustment	-	-	-	(30,517)	(30,517)
Balances, December 28, 2019	$ 10	$ 77,027,601	$ (8,352,184)	$ (30,517)	$ 68,644,910

See accompanying notes to consolidated financial statements.

CONDOR INTERMEDIATE HOLDING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
Period from May 30, 2019 to December 28, 2019

Cash flows from operating activities	
Net loss	$ (8,352,184)
Adjustments to reconcile net loss to net cash from by operating activities:	
Depreciation and amortization of property, plant and equipment	952,323
Amortization of intangibles	3,242,397
Provision for doubtful accounts	59,419
Deferred income taxes	(1,939,024)
Changes in:	
Accounts receivable, net	1,186,900
Inventories, net	714,870
Income taxes receivable	(97,694)
Other current assets	1,087,791
Other assets	(43,330)
Accounts payable	843,211
Accrued expenses	1,194,002
Net cash from operating activities	(1,151,319)
Cash flows from investing activities	
Acquisition of businesses, net of cash acquired	(162,205,170)
Purchases of property, plant and equipment	(217,440)
Net cash from investing activities	(162,422,610)
Cash flows from financing activities	
Issuance of common stock	76,352,611
Borrowings on long-term debt	90,843,278
Payments on long-term debt	(1,022,930)
Net cash from financing activities	166,172,959
Effect of exchange rate changes on cash	(30,517)
Increase in cash and cash equivalents	2,568,513
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	$ 2,568,513
Supplemental disclosure of cash flow information	
Cash paid during the year for -	
Interest	$ 1,205,350
Income taxes	$ 106,000
Non-cash investing and financing activity	
Equity issued as consideration for acquisition	$ 675,000

See accompanying notes to consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Description of Business: Condor Intermediate Holding Corporation (the "Company") and its wholly owned operating subsidiaries: Sargent & Greenleaf, Inc., Sargent & Greenleaf, S.A. (collectively "S&G"), Delaney Hardware Co. ("Delaney") and Premier Steel Doors & Frames, Inc. ("Premier") (collectively "Delaney/Premier") operate in the security and hardware industries.

S&G is a manufacturer of medium- and high-end security locks and locking systems used primarily on gun safes, bank vaults, ATM machines, and safe deposit boxes. These locking systems include electronic locks, combination locks, time locks, padlocks, key operated locks, and sliding deadbolt locks.

Delaney provides high-quality residential and commercial locksets, bath accessories, hinges and other building hardware.

Premier is a manufacturer of steel doors and frames for commercial applications.

The consolidated financial statements of the Company are prepared under the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany transactions and accounts are eliminated in consolidation. The Company's fiscal year ends on the Saturday nearest to December 31. The reporting period for 2019 is not an annual period and may not be indicative of the results of an annual period.

Use of Estimates: To prepare consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and future results could differ. Significant estimates include the allowance for doubtful accounts, inventory obsolescence reserve, deferred tax assets valuation allowance, and useful lives of property plant and equipment, intangible assets and goodwill.

Cash and Cash Equivalents: The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. Periodically throughout the year, the Company's cash balance exceeded the amount insured by the Federal Deposit Insurance Corporation of $250,000.

Accounts Receivable: Trade receivables are stated at gross invoice amount less discounts, other allowances and provision for uncollectible accounts. Interest is not normally charged on accounts receivable.

The Company estimates its allowance for doubtful accounts using two methods. First, a specific reserve is established for individual accounts where information indicates the customers may have an inability to meet financial obligations. Second, a reserve is determined for all customers based on a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful.

Inventories: Inventories for S&G are valued at the lower of cost using the first-in, first-out method or net realizable value. Inventories for Delaney/Premier are valued using the lower of cost using the last-in, first-out (LIFO) method or net realizable value. The LIFO reserve was not material at December 28, 2019. Inventories are reduced for estimated excess and obsolete inventory.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment: The Company values property, plant and equipment, at cost less accumulated depreciation, with property, plant and equipment acquired in business combinations recorded at fair value. Costs related to maintenance and repairs which do not prolong the asset's useful life are expensed as incurred. Depreciation and amortization are provided using straight-line methods over the estimated useful lives of the assets as follows:

	Useful Life (Years)
Land improvements	10 – 20
Buildings	40
Machinery and equipment	3 – 15
Computer software	3 – 5
Displays	3

Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease.

The Company reports depreciation and amortization of property, plant and equipment in cost of sales and selling, general and administrative expenses ("SG&A") based on the nature of the underlying assets. Depreciation and amortization related to the production of inventory and delivery of services are recorded in cost of sales. Depreciation and amortization related to selling and support functions are reported in SG&A.

Long-lived Assets: The Company assesses its long-lived assets for impairment when indicators that the carrying values may not be recoverable are present. In assessing long-lived assets for impairment, the Company groups its long-lived assets with other assets and liabilities at the lowest level for which identifiable cash flows are generated ("asset group") and estimates the undiscounted future cash flows that are directly associated with and expected to be generated from the use of and eventual disposition of the asset group. If the carrying value is greater than the undiscounted cash flows, an impairment loss must be determined, and the asset group is written down to fair value. The impairment loss is quantified by comparing the carrying amount of the asset group to the estimated fair value, which is determined using weighted-average discounted cash flows that consider various possible outcomes for the disposition of the asset group. No impairment has been recorded on long-lived assets.

Foreign Currency: For foreign operations with functional currencies other than the U.S. dollar, asset and liability accounts are translated at current exchange rates; income and expenses are translated using weighted-average exchange rates. Translation adjustments are reported in a separate component of stockholder's equity in accumulated other comprehensive income and exchange rate gains and losses on transactions are included in earnings.

Goodwill: Goodwill resulting from business acquisitions is generally determined as the excess of the fair value of the consideration transferred, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date.

The Company adopted the private company accounting alternative for goodwill; and elected to test goodwill for impairment at the entity level. Under this alternative, goodwill is amortized and is only tested for impairment when a triggering event occurs that indicates the fair value may be below the carrying amount. In 2019 no triggering events were identified, and no impairment was recorded. Goodwill amortization expense of $2,537,489 was recorded for the period from May 30, 2019 to December 28, 2019.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets: The Company records intangible assets at fair value and amortizes the assets over their useful lives. The carrying values are evaluated for impairment annually or whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. No impairment has been recorded on intangible assets.

Deferred Financing Fees: The Company has capitalized costs relating to its debt financing and is amortizing these costs over the life of the related debt using the effective interest method. Deferred financing fees are included as a direct deduction from the carrying amount of the related debt in the accompanying balance sheet. Accumulated amortization and amortization expense were $191,991 as of and for the period ended December 28, 2019. Future annual amortization expense is approximately $581,000 through December 2024.

Revenue Recognition: The Company manufactures and sells security and hardware products to customers located throughout the world. The Company recognizes revenue from contracts with customers when control of the promised goods transfers to the customer. All revenues are recognized at a point in time. The Company's primary performance obligation consists of manufacturing products for the customer in accordance with the terms of a purchase order or the sale of products on hand directly to a customer. The Company recognizes revenue either upon shipment or delivery of the products, based on the relevant shipping terms, representing the point in time the customer obtains control. The Company's revenues are impacted by the overall national and international economy and may fluctuate as these economies change.

At the time revenue is recognized for product sales the Company records an accounts receivable as the Company's right to consideration in exchange for goods transferred to customers is unconditional. Payment from customers is typically due within 30 days of the invoice date.

Provisions for customer volume rebates, product returns, discounts and allowances are recorded as a reduction of revenue in the same period the related sales are recorded.

Advertising Costs: Advertising costs are classified in SG&A and amounted to $155,970 in the period from May 30, 2019 to December 28, 2019.

Sales Taxes: Sales and value added taxes collected from customers and remitted to governmental authorities are excluded from net sales reported in the consolidated statement of operations and comprehensive loss.

Shipping and Handling Costs: S&G generally does not bill customers for freight and Delaney does not bill customers for freight for orders over $750. Premier does bill customers for freight. Shipping revenue and costs associated with outbound freight are reported as sales and cost of sales, respectively. Shipping and handling costs associated with inbound freight are reported in cost of sales.

Income Taxes: The Company accounts for income taxes under the asset and liability method in accordance with ASC 740, *Income Taxes,* which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to reverse. Any changes in tax rates on deferred tax assets and liabilities are recognized in income in the period that includes the enactment date.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company records net deferred tax assets to the extent that it is more likely than not that these assets will be realized. In making this determination, management considers all available positive and negative evidence, including future reversals of existing temporary differences, estimates of future taxable income, tax-planning strategies, and the realizability of net operating loss carry forwards. In the event that it is determined that an asset is not more likely that not to be realized, a valuation allowance is recorded against the asset. Valuation allowances related to deferred tax assets can be impacted by changes to tax laws, changes to statutory tax rates and future taxable income levels. In the event the Company were to determine that it would not be able to realize all or a portion of its deferred tax assets in the future, the unrealizable amount would be charged to earnings in the period in which that determination is made. Conversely, if the Company were to determine that it would be able to realize deferred tax assets in the future in excess of the net carrying amounts, it would decrease the recorded valuation allowance through a favorable adjustment to earnings in the period that the determination was made.

The Company records uncertain tax positions in accordance with ASC 740, which requires a two-step process. First, management determines whether it is more likely than not that a tax position will be sustained based on the technical merits of the position and second, for those tax positions that meet the more likely than not threshold, management recognizes the largest amount of the tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related taxing authority. The Company maintains an accounting policy of recording interest and penalties on uncertain tax positions as a component of income tax expense. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Company is subject to U.S. federal income tax, Switzerland income tax as well as income tax for various U.S. states. The Company is no longer subject to examination by federal, international and state tax authorities for years ending before 2017.

Comprehensive Loss: Comprehensive loss includes net loss and other comprehensive loss. Other comprehensive loss includes foreign currency translation adjustments.

Fair Value of Financial Instruments: The financial instruments of the Company consist mainly of cash and cash equivalents, accounts receivable, accounts payable and debt. The fair value of these instruments approximates their carrying values due to the short-term nature and pricing of the instruments.

Subsequent Events: The Company has evaluated all subsequent events through June 5, 2020, the date the consolidated financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In response, governments and businesses worldwide have restricted access to public facing institutions, those deemed non-essential. These closures have led to significant, adverse changes in macroeconomic conditions – constraints on supply chain, sourcing of inputs and workforce availability. The extent to which the coronavirus will have additional impacts on the Company's business activities will depend on future developments, which are highly uncertain and cannot be predicted. The impact on S&G has been primarily from a deferral in shipments to foreign locations from containment measures in certain countries. S&G has been managing expenses through certain cost reductions and periodic furloughs as need and has further expense reduction plans in place if revenues decline further. As a result of these actions the Company's revenues could continue to be impacted. The significant estimates described in Note 1 could be materially impacted if the pandemic lasts for an extended period of time.

(Continued)

NOTE 2 – BUSINESS ACQUISITIONS

On May 30, 2019, the Company acquired 100% of the outstanding shares of S&G for a total purchase price of $79,624,866. The Company incurred $3,441,348 in transaction costs, which were recognized in operating expenses within the consolidated statement of operations. The acquisition has been accounted for as a purchase and, accordingly, the operating results of S&G have been included in the Company's consolidated financial statements since the date of acquisition. The excess of the consideration transferred in the acquisition over the net amounts assigned to the fair value of the tangible assets and identifiable intangible assets acquired was recorded as goodwill and will be amortized over 10 years. Goodwill represents intangible assets not separately identified, including customer relationship intangibles which were subsumed into goodwill, and the opportunity to expand existing markets and access new customers and to create revenue and cost savings that management believes will contribute to future profits. $41,514,140 of goodwill is expected to be deductible for tax purposes. The estimated fair values of the patents/developed technology were determined based on the relief from royalty method and are amortized over their remaining economic lives of 10 years. The estimated fair values of the trademarks were determined based on the relief from royalty method and have an economic life of 15 years. The contractual value of accounts receivable was $6,688,436. The acquisition was accounted for in accordance with ASC 805, *Business Combinations*.

The following table shows the allocation of consideration to assets and liabilities at fair value:

Cash	$ 616,079
Accounts receivable	6,532,708
Inventory	7,770,889
Prepaid expenses	80,911
Other assets	3,912
Property, plant and equipment	11,465,199
Intangible assets	15,100,000
Goodwill	41,514,140
Accounts payable	(2,671,873)
Accrued expenses	(787,099)
Net assets acquired	$ 79,624,866

On December 20, 2019, the Company acquired 100% of the outstanding shares of HCI Delaney Holdings, Inc., the parent company of Delaney/Premier, through S&G for a total purchase price of $83,715,750 in cash and $675,000 in rollover equity. The fair value of the rollover units was determined using an identified value per unit equivalent to controlling shareholders with no discount applied. The Company incurred $2,624,756 in transaction costs, which were recognized in operating expenses within the consolidated statement of operations. The acquisition has been accounted for as a purchase and, accordingly, the operating results of Delaney/Premier have been included in the Company's consolidated financial statements since the date of acquisition. The excess of the consideration transferred in the acquisition over the net amounts assigned to the fair value of the tangible assets and identifiable intangible assets acquired was recorded as goodwill and will be amortized of 10 years. Goodwill represents intangible assets not separately identified, including customer relationship intangibles which were subsumed into goodwill, and the opportunity to expand existing markets and access new customers and to create revenue and cost savings that management believes will contribute to future profits. Goodwill is not expected to be deductible for tax purposes. The estimated fair values of the trademarks were determined based on the relief from royalty method and have an economic life of 15 years. The contractual value of accounts receivable was $6,109,374. The acquisition was accounted for in accordance with ASC 805, *Business Combinations* and is still in process.

(Continued)

NOTE 2 – BUSINESS ACQUISITIONS (Continued)

The following table shows the allocation of consideration to assets and liabilities at fair value:

Cash	$ 519,367
Accounts receivable	6,075,447
Inventory	15,900,000
Other current assets	1,257,150
Other assets	8,491
Property, plant and equipment	1,797,676
Intangible assets	10,000,000
Goodwill	56,067,973
Accounts payable	(1,704,224)
Accrued expenses	(2,632,989)
Deferred income taxes	(2,898,141)
Net assets acquired	$ 84,390,750

NOTE 3 – INVENTORIES

Inventories consisted of the following at December 28, 2019:

Finished goods	$ 17,071,585
Work in process	476,477
Raw materials	5,407,957
Total	$ 22,956,019

NOTE 4 – PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 28, 2019:

Land	$ 660,000
Land improvements	1,140,000
Buildings	4,417,829
Machinery and equipment	5,956,802
Furniture and fixtures	450,909
Displays	507,045
Construction in progress	347,730
	13,480,315
Less: accumulated depreciation and amortization	(952,323)
Property, plant and equipment, net	$ 12,527,992

Depreciation and amortization expense associated with property, plant and equipment was $952,323 for the period from May 30, 2019 to December 28, 2019.

(Continued)

NOTE 5 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are as follows as of December 28, 2019:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	$ 97,582,113	$ (2,537,489)	$ 95,044,624
Intangible assets -			
Trade names	$ 19,800,000	$ (395,739)	$ 19,404,261
Patents/developed technology	5,300,000	(309,169)	4,990,831
Total intangible assets	$ 25,100,000	$ (704,908)	$ 24,395,092

The trade names are being amortized over an economic useful life of 15 years and developed technology and goodwill are being amortized over an economic useful life of 10 years. Amortization expense was $3,242,397 for the period ended December 28, 2019. Annual amortization expense for intangible assets and goodwill is as follows:

2020	$ 11,621,545
2021	11,621,545
2022	11,621,545
2023	11,621,545
2024	11,621,545
Thereafter	61,331,991
	$ 119,439,716

NOTE 6 – REVOLVING LINE OF CREDIT

In connection with the acquisition of S&G, the Company entered into a revolving line of credit for borrowings up to $7,500,000, reducing to $6,000,000 after one year. With the acquisition of Delaney/Premier, the revolving line of credit was amended increasing the borrowings up to $10,000,000. Under the agreement, the Company can elect for the borrowing at the base rate or LIBOR rate. Under the base rate, this term loan bears interest and is accrued at a rate equal to the sum of the base rate plus the applicable margin (7.0% at December 28, 2019). Under the LIBOR rate, the term loan bears interest and is accrued at a rate equal to the sum of the Libor Rate plus the applicable margin (5.5% as of December 28, 2019). The loan balance is due on the loan maturity date of December 20, 2024. The outstanding balance of the line of credit as December 28, 2019 was $0. As of June 2020, the Company has borrowed $5,000,000 on the line of credit to maintain a liquidity position during the COVID-19 pandemic discussed in Note 1.

NOTE 7 - LONG-TERM DEBT

In connection with the acquisition of S&G, the Company obtained a term loan in the amount of $44,586,000. With the acquisition of Delaney/Premier, the term loan was amended for additional borrowings of $48,144,930. Under the agreement, the Company can elect for the borrowing at the base rate or LIBOR rate. Under the base rate, this term loan bears interest and is accrued at a rate equal to the sum of the base rate plus the applicable margin (7.2% at December 28, 2019). Under the LIBOR rate, the term loan bears interest and is accrued at a rate equal to the sum of the Libor Rate plus the applicable margin (5.5% as of December 28, 2019). The amended term loan requires quarterly principal payments beginning on March 31, 2020 of $462,540, for each of the four consecutive quarters commencing with the calendar quarter ending on March 31, 2020, $693,810, for each of the four consecutive quarters commencing with the calendar quarter ending on March 31,2021, and $925,080 for the scheduled installment due on March 31, 2022 and on the last day of each calendar quarter thereafter (or in each case, if less, the outstanding amount of the term loan), with a final scheduled installment on December 20, 2024 in the amount equal to the remaining outstanding principal amount of the term loan. The term loan collateral consists of all of the property and assets and interest therein of the Company's wholly owned subsidiaries.

Long-term debt consists of the following at December 28, 2019:

Term loan	$ 92,508,000
Less: current maturities of long-term debt	(1,850,160)
Less: deferred financing fees	(2,687,652)
Long-term debt	$ 87,970,188

The term loan and revolving credit line agreement includes covenants limiting capital expenditures, other indebtedness, restricted payments, acquisitions, investments, mergers, voluntary payments on other debt and sales of assets, among other matters. The term loan agreement also contains financial covenants specifying certain cash flow and fixed charge coverage ratios. At December 28, 2019, the Company was in compliance with all financial covenant requirements.

Maturities of long-term debt are as follows:

Fiscal years ending:	
2020	$ 1,850,160
2021	2,775,240
2022	3,700,320
2023	3,700,320
2024	80,481,960
	$ 92,508,000

(Continued)

NOTE 8 – INCOME TAXES

The components of the income tax benefits included in the consolidated statement of operations for the period ended December 28, 2019 are as follows:

Current income tax expense	$ 8,307
Deferred income tax benefit	(1,939,024)
Total income tax benefit	$ (1,930,717)

The difference between the actual income tax benefit and that computed at the statutory rate of 21% relates primarily to non-deductible transaction costs and state taxes.

The components of deferred income taxes at December 28, 2019 are as follows:

Inventory	$ 115,603
Accrued expenses	129,485
Deferred financing costs	25,177
Business interest limitation	171,750
Goodwill	926,943
Net operating loss carryforwards	1,409,675
Other	107,870
Property and equipment	(1,378,835)
Intangible assets	(2,466,785)
Net deferred income tax liabilities	$ (959,117)

The Company acquired Sargent & Greenleaf, Inc. on May 30, 2019. The acquisition was treated as an asset acquisition for tax purposes and the assets received a step-up in basis to fair market value, which included $56,614,140 of tax-deductible goodwill and intangible assets. No deferred tax assets or liabilities were recorded to the opening balance sheet.

The Company acquired HCI Delaney Holdings, Inc. in a stock acquisition on December 20, 2019. The acquisition was treated as a stock acquisition for tax purposes and resulted in a step-up of book value of assets to fair value. The Company revalued deferred tax assets and liabilities on the books of the purchased companies based on the book values listed in their opening balance sheets. Goodwill and intangibles recognized as a result of the acquisition were not deductible for tax purposes.

As of December 28, 2019, the Company has federal net operating loss carryforwards ("NOLs") of $6,330,000, with no expiration and state NOLs of $1,479,000 of which $1,373,000 have no expiration. The remaining state NOLs, if unused, will begin to expire in 2039.

Realization of NOLs is dependent upon generating sufficient taxable income prior to expiration of the carryforwards. Although realization is not assured, management believes it is more likely than not that all deferred tax assets will be realized. No valuation allowance has been recognized on deferred tax assets.

Any undistributed foreign earnings of the Company for the period from May 30, 2019 to December 28, 2019, are considered to be invested indefinitely or will be remitted substantially free of additional U.S. tax. Accordingly, no provision has been made for taxes that might be payable upon remittance of such earnings, nor is it practicable to determine the amount of such liability.

(Continued)

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company entered into a corporate advisory and monitoring services agreement with OpenGate Capital Management, LLC, a private equity fund (the "Fund"). Pursuant to the terms of the agreement, the Fund will provide monitoring, advisory and consulting services to the Company. In exchange for these services, the Company pays an annual fee of $1,000,000 due in quarterly installments. The Company also agrees to reimburse the Fund for reasonable out-of-pocket expenses incurred in the performance of its duties under this agreement. In connection with the two acquisitions, the Company paid the Fund $1,000,000 for each acquisition and out of pocket expenses of $220,390 for transaction services which are included in transaction fees on the statement of operations. As of December 28, 2019, the Company had amounts payable under this agreement to the Fund of $83,333 and incurred monitoring fee expenses of $666,667 for the period ended December 28, 2019.

NOTE 10 – EMPLOYEE BENEFIT PLANS

S&G has a defined contribution 401(k) retirement plan. All employees are eligible to participate in the plan. S&G matches 50% of the first 7% of an employee's annual salary. The participants are immediately vested in their contributions and related earnings. S&G made matching contributions of $73,918 during the period ended December 28, 2019.

Delaney has a defined contribution 401(k) retirement plan. All employees are eligible to participate in the plan. Delaney makes a 3% non-elective contribution and does not provide a match. The participants are immediately vested in their contributions and related earnings. Delaney made matching contributions of $2,240 during the period ended December 28, 2019.

Premier has a defined contribution 401(k) retirement plan. All employees are eligible to participate in the plan after one year of service at the next eligible enrollment date. Premier makes a 3% non-elective contribution and matches up to 4% of an employee's annual salary. The participants are immediately vested in their contributions and related earnings. Premier made contributions of $3,667 during the period ended December 28, 2019.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Operating Leases: The Company leases four facilities and copiers with maturity dates through June 2025. The leases are classified as operating leases and the corresponding rental expense for the period ending December 28, 2019 was $24,155. The future minimum rental payments under these operating leases are as follows for the fiscal years ending:

2020	$ 836,100
2021	772,749
2022	376,916
2023	308,008
2024	261,000
Thereafter	130,500
	$ 2,685,273

(Continued)

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Capital Leases: Premier has entered into four lease agreements for equipment that qualify as capital leases. The following is a summary of equipment held under capital leases at December 28, 2019 included in accrued expenses:

Equipment	$ 77,267
Less: accumulated depreciation	(2,759)
	$ 74,508

Future minimum payments on the capital lease are as follows:

Year ending	
2020	$ 38,654
2021	34,856
Total minimum lease payments	73,510
Less: amount representing interest	(2,960)
	70,550
Less: current portion	(36,345)
Long-term portion	$ 34,205

Contingencies: The Company is subject to legal proceedings and claims arising out of its normal course of business. While it is impossible to ascertain the ultimate legal and financial liability with respect to the contingent liabilities, the Company believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on the financial position or results of operations of the Company.