Hufcor, Inc. Quarterly Operating Review

Quarter Ended September 30, 2019

October 29, 2019

HUFCOR

1 Executive summary

Executive summary (1/3)

1. Overall focus remains on executing the complete operational turnaround of the entire company, with a particular focus on the Janesville facility - which will entail the creation or improvement of processes and programs in manufacturing, quality, safety, logistics, inventory management, commercial & operational interaction and more. In the time since previous management was replaced, substantial gains have been made in each of the aforementioned areas in addition to the promotion of a company culture that encourages employee engagement and performance at every level.

2. Pro Forma Adjusted EBITDA of $411k for the month of Sept. vs original budget of $1.6mm. September reported EBITDA ($3.6mm) contains $4.0 mm in costs considered as pro forma add backs. Major items include:

    1. Inventory: $1.321mm increase to inventory reserves to account for improper cycle counts, scrap not written off in prior periods and overall poor system adherence (e.g. not properly logged out in production process) in addition to excess and obsolete sitting on the books for year. No meaningful projected impact to the burrowing base given low advance rates and ineligible calculations. Total amount considered in pro forma add back.

    2. Warranty: $0.877mm increase in warranty reserves to properly account for extended warranty & specific projects incurring risk to collection given poor quality. $0.636mm considered in pro forma add back.

    3. AR: $2.314mm increase in bad debt reserves to account for meaningfully aged accounts. $1.657mm due to accounts over 1-year old (excluding retainage) & $0.113mm reserve for accounts under 1-year old; remaining reserves due to customer-specific reserves where collection is known to be at risk. $2.021mm considered in pro forma add back.

3. September Net Revenue of $13.2mm vs plan of $13.0mm. Reported backlog is >$82.9 mm, however we are working to scrub the accounts and re-project the runoff with improved Janesville throughput

Our focus for Q4 will be across six areas

Executive summary (2/3)

Human capital

Accelerate key hiring, and manage consulting/3rd party expenses

- Hiring: 13 roles have been prioritized for hiring which will fill key operational positions, or a small number of G&A roles
- Consultants: Current consulting spend is $110k per week and is necessary to bridge hiring gap and to stabilize the business. We are projecting to ramp this down in December/January
- Labor: 5 legacy arbitrations underway
- Benefits: Open enrolment will be next month. We are a self funded plan and expect to gain $1-300k at the end of the year
- Org: Preliminary organizational structure has been set but may change based on strength of critical hires

Domestic

Drive operational turn around, pivot to commercial growth after the first of the year once operations are stabilized

- Commercial: Bookings has been soft in Q3, feedback from customers has indicated this is due to our quality and lead time performance
- Production: Focusing on improving overall efficiency (units/man hour), and driving down lead times
- Quality: Quality program has been kicked off projecting $460k/yr annualized benefit
- Safety: Program being stood up, immediate action was required to meet OSHA standards. In addition, we have been allowed to bid on 3 jobs in the last two weeks due to improvements
- Logistics: Developing new processes and tools to enable more efficient operations

International

Europe to focus on commercial improvements, and growing bookings. Asia assessment will kick off in November, and AU/NZ in January

- VP of Int'l Operations hired to lead group
- Europe: Bookings down this quarter due to no major projects, however, revenue remained strong, and gross margin is up significantly. 15.7% in Germany, 21.5% in rest of Europe vs a target of 16%
- Licensees: Overall revenue/EBITDA contribution down 25% since a peak in 2012 (-5% CAGR)
- Malaysia continuing to struggle - YOY Sep backlog has dropped from $1.3mm to $0.15mm. YoY Sep revenue is down 18% to $1.968mm
- China/HK/Malaysia assessment kicking off in November. Output for January to be commercial and manufacturing strategy

Executive summary (3/3)

Information Technology

Building system resiliency, and implementing tools to allow accurate costing and management the business

- Assessment: Currently executing a review of all global systems and platforms. Targeting a Jan 2020 completion and recommended roadmap
- Partition Studio: Revised release timeline, and projecting to roll out Q2 2020
- Infrastructure/Cyber: Several critical business continuity issues have been identified (e.g. cyber, hardware) and are being addressed
- Data/Workbench: Integrating Hufcor data and analytics into the OGC Workbench

Strategy

Conducing commercial assessments in North America and Asia. Expecting to provide revised strategy for Q1 board meeting

- Manufacturing and commercial strategy **in** each global region is being evaluated
- Engaging with 3rd party resources to execute a commercial review focusing on Domestic and Asia
- Athens facility is closed and all jobs have been completed. Line equipment is being moved to Janesville to augment 601. only CNC and inventory remain, lease closure is on hold for the PPI sale. ~$16k/month

Finance

Continuing to clean up financial reporting processes. Working to implement more accurate costing to inform pricing

- Continuing to focus on refining processes and reporting, we expect to continue to see fluctuations in Nov
- Recommend restating full year 2019 financials to more accurately match timing of expenses
- AR reserves (>$2mm), large number of accounts dated past 1-year, expect no meaningful impact to borrowing base
- Inventory reserve ($1.3mm), low turn inventory, expecting no meaningful impact to borrowing base
- Working with Sales, IT and Operations to improve costing and pricing accuracy

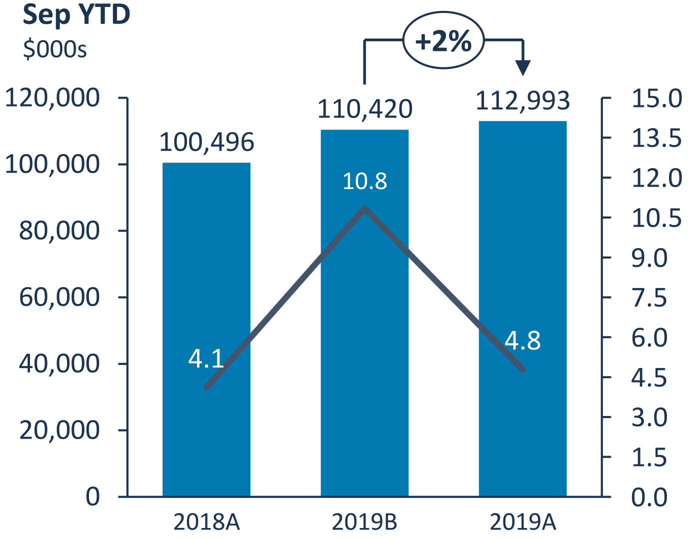
Status of Key Initiatives

Project		Current Status & Next Steps	Project Timing	Annualized EBITDA Impact ($MM)	
				Projected	Actual
A: Production *(Aardema, Patterson)*	On Track	• New "Secured to Ship" process launching Nov 4th; implementation of 2-week frozen production schedule • Labor productivity up 9% since Sep 15th (Target: 25% by Q2 2020) • Successful avoidance of $3M in liquidated damages by improving short-term throughput • 1st Kaizen completed (600 Weld WS); planning and prioritizing 12-15 additional before end of Q1 2020	Underway	$1.5mm	+9% Units/Hr
B: Quality *(Olmstead, Melito, Patterson)*	At Risk	• Baseline total cost of quality has been quantified (total ~$2mm) • Quality database to track and manage the program is being stood up in Power BI; will incorporate internal, external, and scrap defects • Full-time Quality Manager interviews in process	Underway – Financial impact start in Dec	$460k	In Process
C: Inventory *(Jordan, Gioia)*	At Risk	• Created new cycle count processes • Physical Inventory scheduled for late December; first PI since early 1980's	Underway	$1mm write-off	In Process
D: Safety *(Nichols, Patterson)*	On Track	• Hired interim safety manager (Nichols); in 2nd round for Full-Time hire with 2 promising candidates • TRIR: 3.78 (Target: 3.0); No recordables for last 2+ weeks (4+ weeks in JVL) • Quick creation of 90-Day Get Well Plan has allowed for 6 additional sales bids Hufcor would have not have seen otherwise	Underway	$200k	In Process
E: Logistics *(Schwanke, Blazy)*	Critical issues	• Hired full-time Logistics Director (Wayne Schwanke); scope includes all JVL shipping operations • SCS being phased out of JVL Operations and will focus on various Logistics projects (i.e. Intl Forwarding) • Panel scanning pilot to launch this week (Oct 28th) as part of new PFEP process • Rock Valley fleet analysis underway	Underway	In Process	In Process
F: Germany Pricing *(Long)*	Critical issues	• Germany bookings have declined, however, booked gross margin is above the target of 16%. Revenue and EBITDA were above plan	Underway – Financial impact in Dec	$500k	$0
G: IT *(Andrews, Blazy, Long)*	At Risk	• Focusing on addressing critical infrastructure vulnerability and business continuity	Underway	In Process	In Process

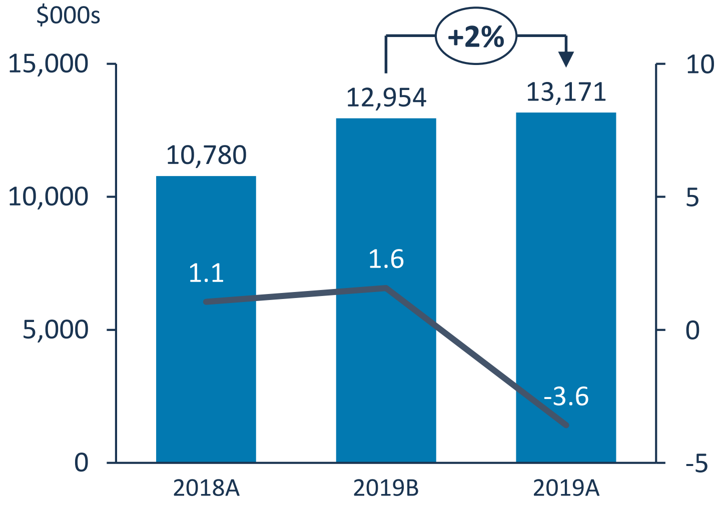
On Track **At Risk** **Critical issues**

HUFCOR Monthly financial metrics

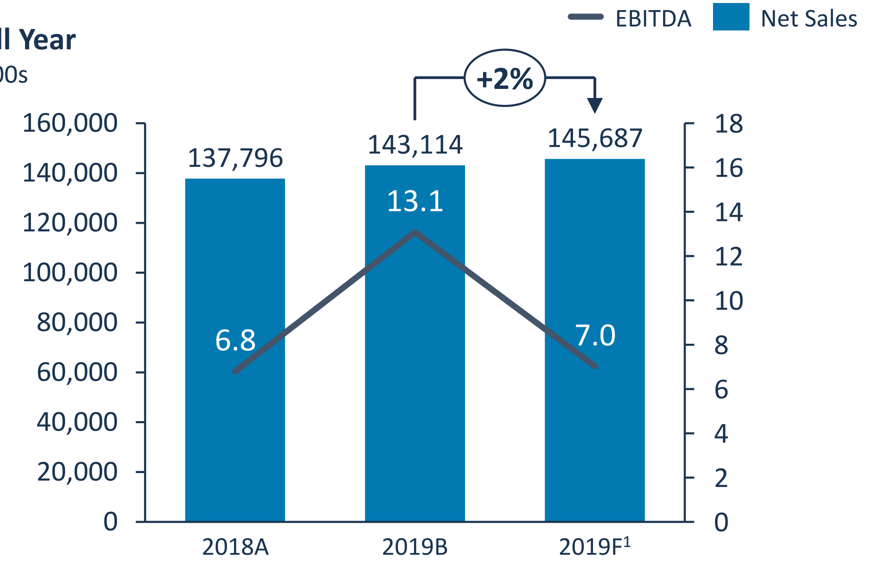
Sep YTD
$000s



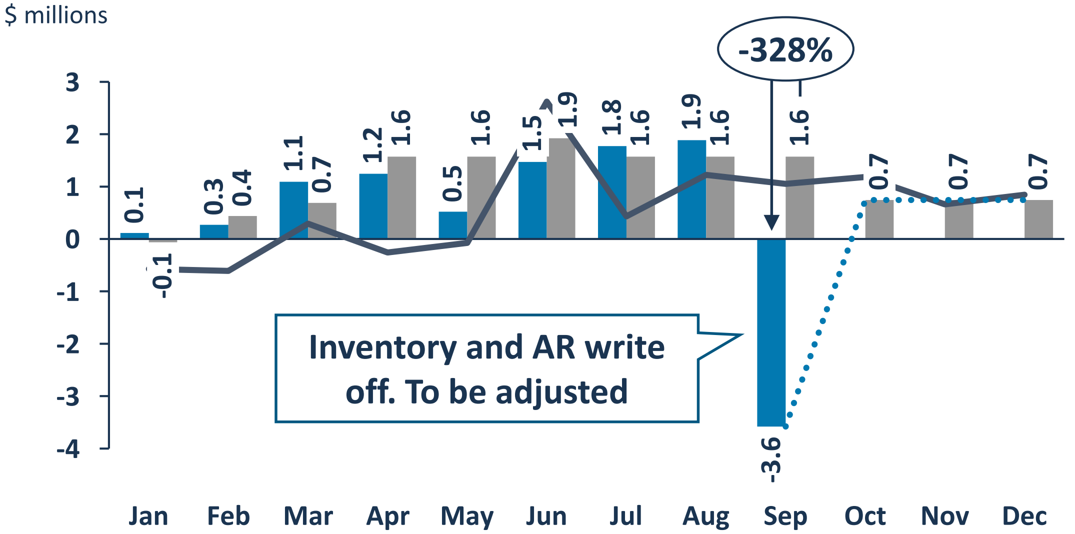
Sep MTD
$000s



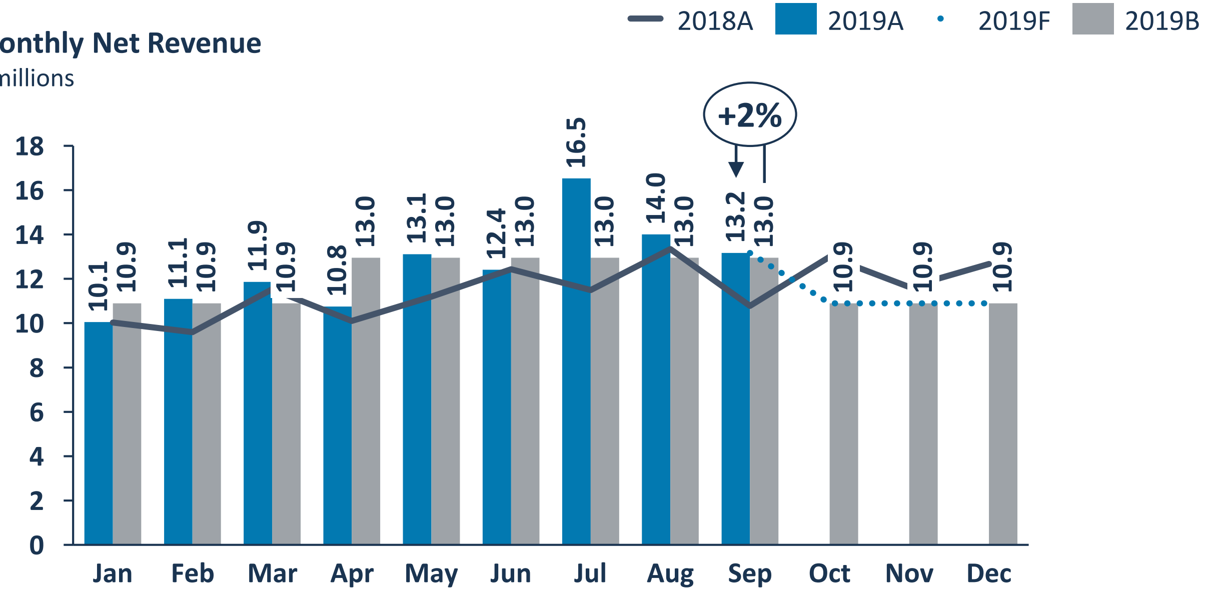
Full Year
$000s



Monthly EBITDA
$ millions

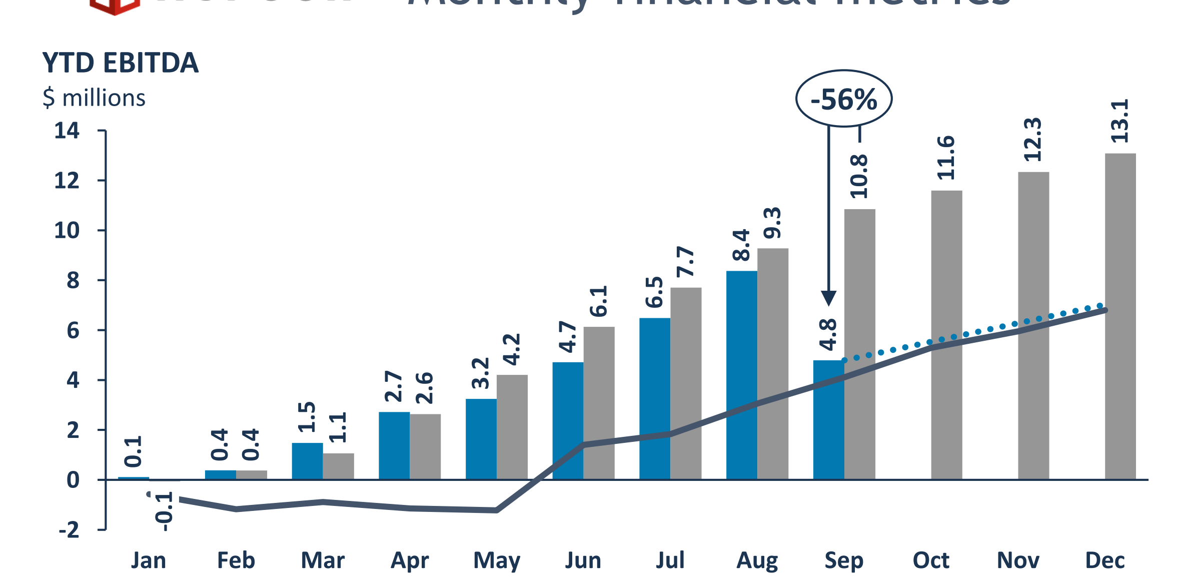


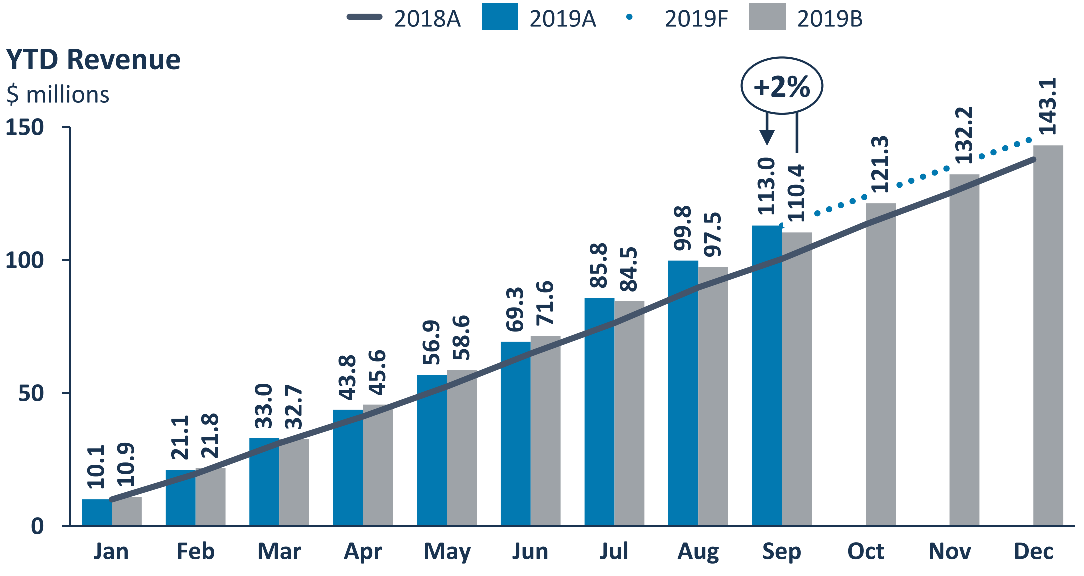
Monthly Net Revenue
$ millions

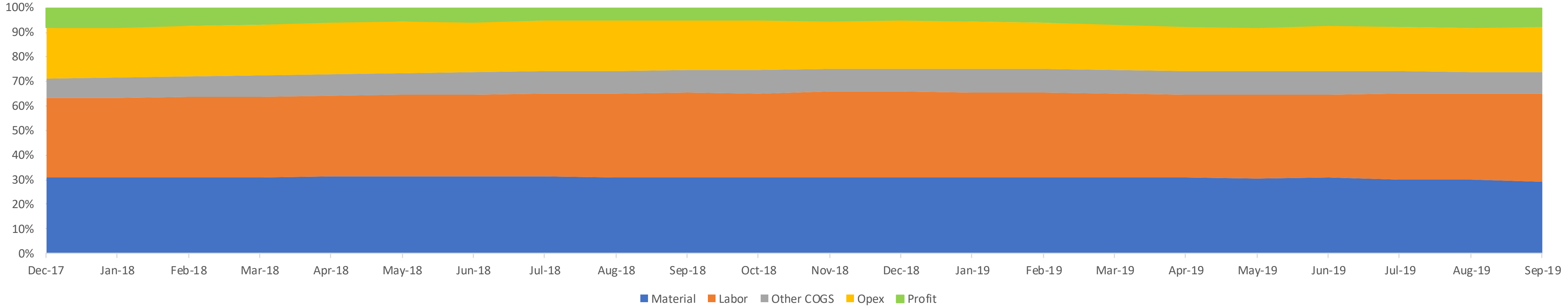


1. YTD actuals + remaining year forecast

Monthly financial metrics







1. YTD actuals + remaining year budget

September Month, Quarter & YTD 2019 Income Statement – Reported & Pro Forma

	September				
	2019 Reported	1-time Adj.	2019 Pro Forma	2018 Sep	Variance
Consolidated (incl. Hldg)					
Revenue	$ 13,171		$ 13,171	$ 10,780	$ 2,392
COGS	$ 11,948	$ (1,957)	$ 9,991	$ 7,872	$ 2,119
GM	**$ 1,224**		**$ 3,181**	**$ 2,908**	**$ 273**
GM%	9.3%		24.1%	27.0%	-2.8%
OPEX	$ 4,806	$ (2,036)	$ 2,770	$ 1,860	$ 910
EBITDA	**$ (3,583)**		**$ 411**	**$ 1,047**	**$ (637)**
EBITDA %	-27.2%		3.1%	9.7%	-6.6%
Domestic					
Revenue	$ 8,315		$ 8,315	$ 7,350	$ 964
COGS	$ 8,409	$ (1,957)	$ 6,452	$ 5,057	$ 1,395
GM	**$ (94)**		**$ 1,863**	**$ 2,293**	**$ (430)**
GM%	-1.1%		22.4%	31.2%	-8.8%
OPEX	$ 3,709	$ (2,036)	$ 1,673	$ 1,122	$ 551
EBITDA	**$ (3,803)**		**$ 190**	**$ 1,171**	**$ (981)**
EBITDA %	-45.7%		2.3%	15.9%	-13.6%
International					
Revenue	$ 4,857		$ 4,857	$ 3,430	$ 1,427
COGS	$ 3,539		$ 3,539	$ 2,815	$ 724
GM	**$ 1,318**		**$ 1,318**	**$ 615**	**$ 703**
GM%	27.1%		27.1%	17.9%	9.2%
OPEX	$ 1,098		$ 1,098	$ 738	$ 359
EBITDA	**$ 220**		**$ 220**	**$ (124)**	**$ 344**
EBITDA %	4.5%		4.5%	-3.6%	8.1%

	3rd Quarter				
	2019 Reported	1-time Adj.	2019 Pro Forma	2018 Q3	Variance
Consolidated (incl. Hldg)					
Revenue	$ 43,709		$ 43,709	$ 35,617	$ 8,092
COGS	$ 33,909	$ (1,957)	$ 31,952	26,430	5,522
GM	**$ 9,800**		**$ 11,757**	**9,187**	**2,570**
GM%	22.4%		26.9%	25.8%	1.1%
OPEX	$ 9,723	$ (2,036)	$ 7,687	6,476	1,211
EBITDA	**$ 77**		**$ 4,070**	**$ 2,710**	**$ 1,359**
EBITDA %	0.2%		9.3%	7.6%	1.7%
Domestic					
Revenue	$ 27,710		$ 27,710	$ 23,304	$ 4,406
COGS	$ 21,935	$ (1,957)	$ 19,977	17,288	2,690
GM	**$ 5,775**		**$ 7,732**	**6,016**	**1,716**
GM%	20.8%		27.9%	25.8%	2.1%
OPEX	$ 7,173	$ (2,036)	$ 5,137	4,159	978
EBITDA	**$ (1,398)**		**$ 2,595**	**$ 1,857**	**$ 738**
EBITDA %	-5.0%		9.4%	8.0%	1.4%
International					
Revenue	$ 15,999		$ 15,999	$ 12,313	$ 3,686
COGS	$ 11,974		$ 11,974	9,142	2,832
GM	**$ 4,025**		**$ 4,025**	**3,171**	**854**
GM%	25.2%		25.2%	25.8%	-0.6%
OPEX	$ 2,550		$ 2,550	2,317	233
EBITDA	**$ 1,475**		**$ 1,475**	**$ 853**	**$ 621**
EBITDA %	9.2%		9.2%	6.9%	2.3%

	YTD September				
	2019 Reported	1-time Adj.	2019 Pro Forma	2018 Sep YTD	Variance
Consolidated (incl. Hldg)					
Revenue	$ 112,993		$ 112,993	$ 100,496	$ 12,497
COGS	85,013	$ (1,957)	$ 83,056	75,710	7,346
GM	**27,980**		**$ 29,937**	**24,786**	**5,150**
GM%	24.8%		26.5%	24.7%	1.8%
OPEX	23,191	$ (2,036)	$ 21,155	20,549	606
EBITDA	**$ 4,788**		**$ 8,782**	**$ 4,237**	**$ 4,545**
EBITDA %	4.2%		7.8%	4.2%	3.6%
Domestic					
Revenue	$ 73,225		$ 73,225	$ 65,165	$ 8,060
COGS	54,242	$ (1,957)	$ 52,285	49,244	3,041
GM	**18,983**		**$ 20,940**	**15,921**	**5,019**
GM%	25.9%		28.6%	24.4%	4.2%
OPEX	16,247	$ (2,036)	$ 14,211	13,632	578
EBITDA	**$ 2,736**		**$ 6,729**	**$ 2,289**	**$ 4,441**
EBITDA %	3.7%		9.2%	3.5%	5.7%
International					
Revenue	$ 39,768		$ 39,768	$ 35,332	$ 4,436
COGS	30,771		$ 30,771	26,466	4,305
GM	**8,997**		**$ 8,997**	**8,866**	**131**
GM%	22.6%		22.6%	25.1%	-2.5%
OPEX	6,945		$ 6,945	6,917	27
EBITDA	**$ 2,052**		**$ 2,052**	**$ 1,949**	**$ 104**
EBITDA %	5.2%		5.2%	5.5%	-0.4%

Management Discussion:

COGS

- $1.3 mm inventory & $0.6 mm warranty reserve identified as one-time adjustment
- $0.3 mm of labor / warranty burdening P&L but not considered add-back

Opex

- $2.0 mm of bad debt identified as one-time adjustment
- $0.3 mm of bad debt burdening P&L but not considered add-back
- Net impact of all other expenses net to zero

2 Human Capital

Human capital

Focus has remained on building a stronger culture and increasing engagement with the union to improve overall productivity, 13 searches are underway. Preliminary executive org design has been set and reporting realigned

1. Hiring, Org & consultants

- 13 Critical Positions: VP Operations, Quality Manager, HSE Director, VP HR, Production Supervisors, Installers, Project Design Engineers
- Overall Status: On-Target to Meet Start Date (+/-)
- Sourcing: Beckway Group, R. Half, Job Boards

2. Incentive Compensation

- Management Incentive and Commission Plans: Overhaul Plans for 2020 to Reflect Pay-for-Performance, includes Targets, Weights, % Pay-Outs, Governance Documentation.
- General Incentive Plan: Replace with a Discretionary Plan that Awards Top Performers.

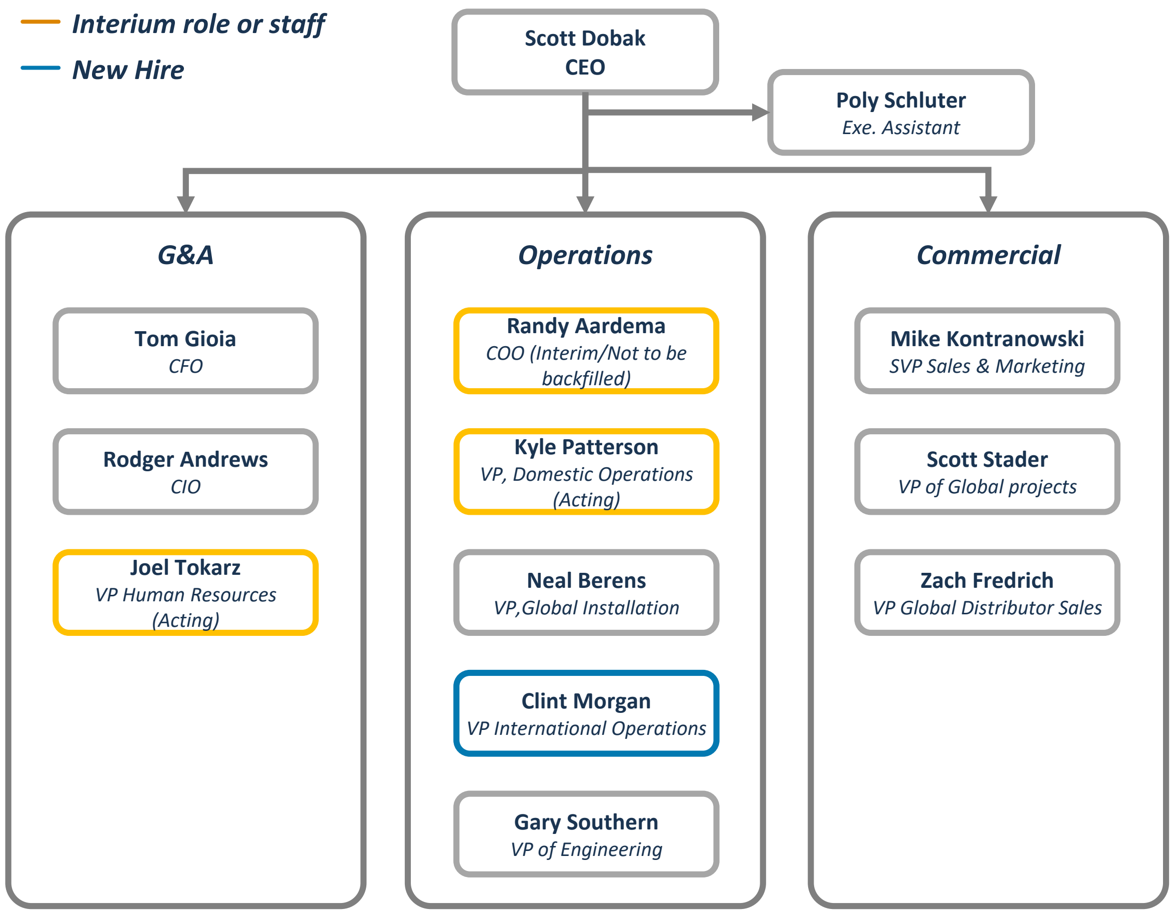
3. Employee Legal & Labor

- One EEOC Equal Pay Claim: - Required to Settle. Settlement Range[X[]
- Two DOL Wrongful Termination Claims: Settled One Case -$10. 2nd Case Decision Appealed by Claimant and Pending Arbitration
- One NLRB Unfair Labor Practice Claim: Unilateral Benefit Changes. Pending Required Arbitration
- One Labor Matter: Outsourced Parts. Pending Arbitration

4. H & W Benefits

- 2020 Plan Renewal (Effective January 1, 2020
- No Substantive Plan Design / Funding Changes
- Net Plan Company Cost Reduction from 2019: $30,405
- Self-Funded Health Plan; Equivalent Fully Insured Plan Increase Gross Costs by $1.5m to $2.0m

Hufcor Executive team and CEO direct reports



1. Consultants

Total consulting spend is $110k per week, and while expected to ramp down quickly at the close of 2020, they are projected to reach a total expenditure of $2.5mm by June 30. In addition $3.2mm in annualized headcount costs are projected to be hired into the business

- A total of 15 outside consultants are supporting the turn around, with 8 of them 1099 independent consultants
  - Weekly run rate is $110k
  - We expect to begin to ramp down turn around consulting spent in Dec/Jan to coincide with hiring
- Not supporting the turn around are 4 legacy consultancies and one independent consultant that will be ramped down at the end of the year
- Total 3rd party costs are expected to reach $2.5mm by the end of H1 2020
- 13 roles have been prioritized for hiring (two have closed) which is expected to add ~$3.2mm in annualized head count costs

While cost is significant, Hufcor would not have been able to continue to operate at legacy staffing levels due to quality, safety, production efficiency, financial visibility etc.

1. Hiring

Hiring has been prioritized to key operational roles and required G&A positions which are filled by 3rd party acting managers. !3 roles are in recruitment with two that have been filled. 1-5 are the most critical near term hires

#	Active Roles	Date Opened	Days Open	Target Hire Date	Source	Status	Sourced Candidates	Screened Candidates	Pending On-Site Interview	Interviews	Offers Extended	Notes
1	Corporate Controller	9/23/2019	32	11/15/2019	Beckway	On-Target	18	2	1	0	-	J. Franz completed initial interview with Tom G on 10/10; J. Smallwood second candidate call with Tom G.
2	VP Operations	10/9/2019	16	12/1/2019	Beckway	On-Target	30	0	1	0	-	J. Smith scheduled for on-site interview 10/30 with Kyle P. and Joel T.
3	Quality Manager	9/25/2019	30	11/15/2019	Beckway	On-Target	11	1	1	2	-	E. Gibbs on-site interview scheduled 10/29 with Kyle P. and Joel T.
4	HSEF Director	9/25/2019	30	11/15/2019	Beckway	On-Target	6	5	1	6	-	6 candidates completed on-site interviews. J. Bahr & R. Reuterskoid moved forward to 2nd round interviews. S. Rush initial on-site interview with Joel T 10/24. Rush to be scheduled for 2nd round interview with Kyle (and Chris N) 11/4.
5	VP, Human Resources	10/15/2019	10	11/30/2019	Beckway	On-Target	7	0	0	0	-	Joel T. to Tel. Screen 5 Candidates Week of 10/28.
6	Cost Accountant	9/26/2019	29	11/15/2019	R. Half	On-Target	4	4	0	1	-	Interview with Tom G.
7	Production Supervisor (1)	9/24/2019	31	11/1/2019	Job Boards	Closed	14	9	0	4	1	
8	Production Supervisor (2)	9/24/2019	31	11/1/2019	Job Boards	On-Target	14	9	0	5	1	HR Continuing to interview top candidates
9	Production Supervisor (3)	9/24/2019	31	11/1/2019	Job Boards	On-Target	14	9	0	1	1	
10	Executive Assistant	9/23/2019	32	11/1/2019	Job Boards	Closed	63	-	-	1	1	P. Shultz (Internal Candidate)
11	Installer (1)	9/25/2019	30	11/1/2019	Job Boards	On-Target	6	5	-	-	-	Sourcing Candidates
12	Installer (2)	9/25/2019	30	11/1/2019	Job Boards	On-Target	7	5	-	-	-	Sourcing Candidates
13	Project Design Engineer	10/2/2019	23	11/1/2019	Job Boards	On-Target	3	3	3	2	-	Interviews Underway
14	Systems Administrator					Hold						Holding Pending R.Andrews Approval
15	Techical Support					Hold						Holding Pending R.Andrews Approval

2. Incentive compensation

Hufcor has three incentive compensation plans, MIP, commissions and general compensation. Management is working to harmonize and align all plans to optimize incentives

2019 projected bonus plan

Item	MIP	GI (2%-3% of Participant Pay)	Total
Number of Plan Participants	29 (Pro-Rated)	119	148
Total Full Year & Prorated Payout	$754k	$168l	$922k
Monthly Accrual Requirement	$62.8k	$14k	$76.8k
Average Payout Per Participant	$26k	$1.4k	

- Management is working to identify which team members will be placed the OGC MIP, and the GI
- Analysis of the commissions structure is underway.

SALES INCENTIVE PLAN

Plan Type: Commission

Plan Participants: Product Sales and Services Sales and Management

Incentive Pay: Product Sales 1.9% to 25% of Gross Margin (Recognized)
Services Sales 22% of Net Profit

Incentive Pay Frequency: Monthly

Next Steps
Analyze historical product margin and net profit by account / contract and corresponding commission payouts by plan participant (Finance)

1. Finalize total compensation pay ranges (base, incentive, total pay) for all positions (Human Resources)
2. Identify 2020 monthly quotas by plan participant (Sales)
3. Recommend base and / or incentive pay targets (% of gross margin or net profit), address outlier issues by plan participant (HR /Sales)
4. Model and roll-up 2020 revenue, gross margin and payout by plan participant (Sales / Finance)
5. Prepare and finalize governing plan document include uniform terms / conditions and administration (Human Resources)
6. Finalize commission model and plan participant communications (Letter, Plan Document) / (Human Resources)
7. Roll-out Plan (Sales)

Target Completion Dates

Steps 1-4: December 1, 2019
Step 5 -6: December 15, 2019
Step 7-8: January 15, 2020

3. 2020 H&W Benefit Program Renewal

H & W Benefit Plan Renewal Effective Date:	**January 1, 2020**
Employee Open Enrollment Meetings:	**November 5 and 6, 2019**
Open Enrollment Period:	**November 7 to 22, 2019**
Plan Types:	**Medical, Pharmacy, Dental, Vision, Short and Long-Term Disability, Life**
Plan Funding:	**Self Insured (Health Plans) and Fully Insured (Welfare Plans)**

If Fully Insured the Medical would increase Annual Plan Costs $1.5m to $2m.

Net Company Costs (H&W Program):

2019	2020	Difference
$3,399,369	$3,368,964	($30,405) / (.9%)

Projected 2020 Market Cost Adjustment: **Increase - 6% PWC, 6.5% AON, 3.9% PWC**

2020 Gross Annual Cost Per Employee:

Hufcor	Market	Difference
$11,382	$15.375	$3,992

2020 Premium Contribution Mix

	Pre-2017 Contract		Post-2017 Contract		Non-Union	
Plan Type	Employee	Employer	Employee	Employer	Employee	Employer
Medical	15%	85%	22%	78%	22%	78%
Dental	33%	77%	52%	48%	52%	48%
Vision	0%	100%	100%	0%	100%	0%

Collective Bargaining Agreement provides for an automatic increase in the per union employee monthly premium for medical and dental insurance coverage.

4. Union and labor

- **EEOC Charge (J. Brinkman)**
  - Determination received in favor of former employee J. Brinkman (former VPHR)
  - Violation of equal pay based on original contract terms (gender and race)
  - Disposition: EEOC will not bring suit against Hufcor and has closed the case. However Hufcor required to settle directly with claimant.
  - *Currently negotiating final settlement directly with J. Brinkman's attorney*
  - *Settlement Range: [X]*

- **WFMLA & WFEA Charge (P. Weinshrott) <u>and</u> Pending Arbitration (Date TBD)**
  - Claim of wrongful termination under FMLA and wrongful termination due to disability.
  - WFMLA charge was found with no probable cause, however claimaint has appealed and hearing scheduled for December 2019.
  - 4th step grievance meeting complete, awaiting potential arbitration
  - *Subpoenaed claimant in preparation for the appeal, feel Hufcor has a very strong case; no arbitration date has been set*

- **Unfair Labor Practice Charge <u>and</u> Pending Arbitration (C. Pepitone)**
  - Claim of wrongful termination by Chuck Pepitone (Union JVL Employee)
  - *Settled for $10K*

- **Unfair Labor Practice Charge <u>and</u> Pending Arbitration (Unilateral Benefits Changes)**
  - Claim of unilateral changes to the health insurance program, which was bargained for in 2017 – 2021 CBA, and bad faith bargaining for changes made to the health insurance not spoken about at negotiations
  - NLRB deferred decision until exhausted grievance/arbitration process
  - 4th step grievance meeting complete, awaiting potential arbitration
  - *Recent discussion with the Union Rep regarding potential settlement – provided additional data request, awaiting feedback from Union – no arbitration date has been set*

- **Outsourced Parts Pending Arbitration (Original Date 9/19/19 however being delayed)**
  - Union contends Hufcor is not permitted to outsource, and the Company and CBA language disagree
  - 4th step grievance meeting complete, awaiting potential arbitration
  - *Recent discussion with Union Rep regarding potential settlement – no arbitration date has been set*

3 Domestic

Domestic commercial summary

Commercial

JVL Manufacturing Capacity Constraints

- Proven production capacity was initiated resulting in extended lead times and achievable scheduled ship dates. Overtime resulted in eliminating the $3mm in Liquidated Damage projects.
- Efficiencies are expected to increase production and lower lead times resulting in increase revenue

Securements/Backlog

- Bookings continue to slow as a result of longer than industry normal lead times, losing on price for smaller projects >$20K, and quality has resulted in less opportunities for Hufcor. Moderco has also been significantly undercutting the market taking small and larger projects as much as 20% lower than typical bids.

Operable Panels (600)

- Largest product revenue, but issues with aesthetics minimizes opportunity for premium sales. With 1 dedicated line, demand outpaces production capabilities.
- More focus on day to day sales will be critical and strategic decisions on mega projects has started.

Glass

- Glass growth has been slow due to lack of demand creation and product portfolio. 2019, four new A&D Sales personal were added to the team to drive demand for innovation, glass and Hufcor base of design specifications.
- Portfolio needs improvement and more options to the mix to compete and increase sales.

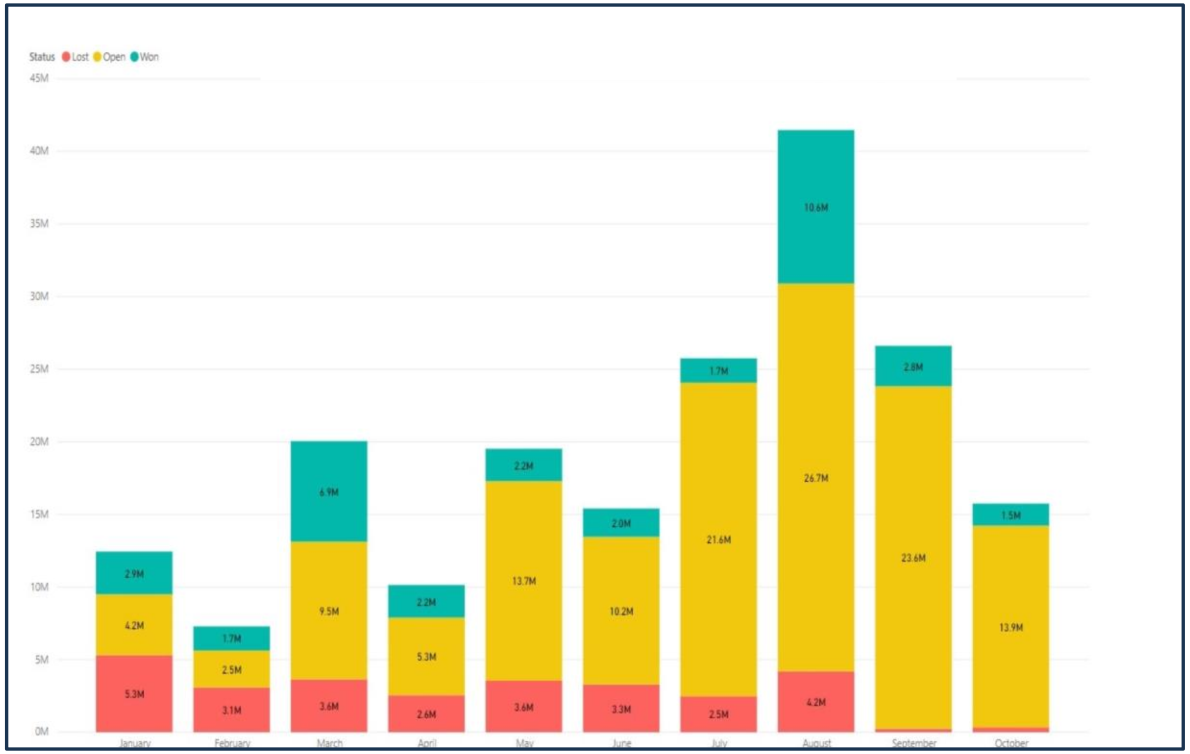
Mega projects

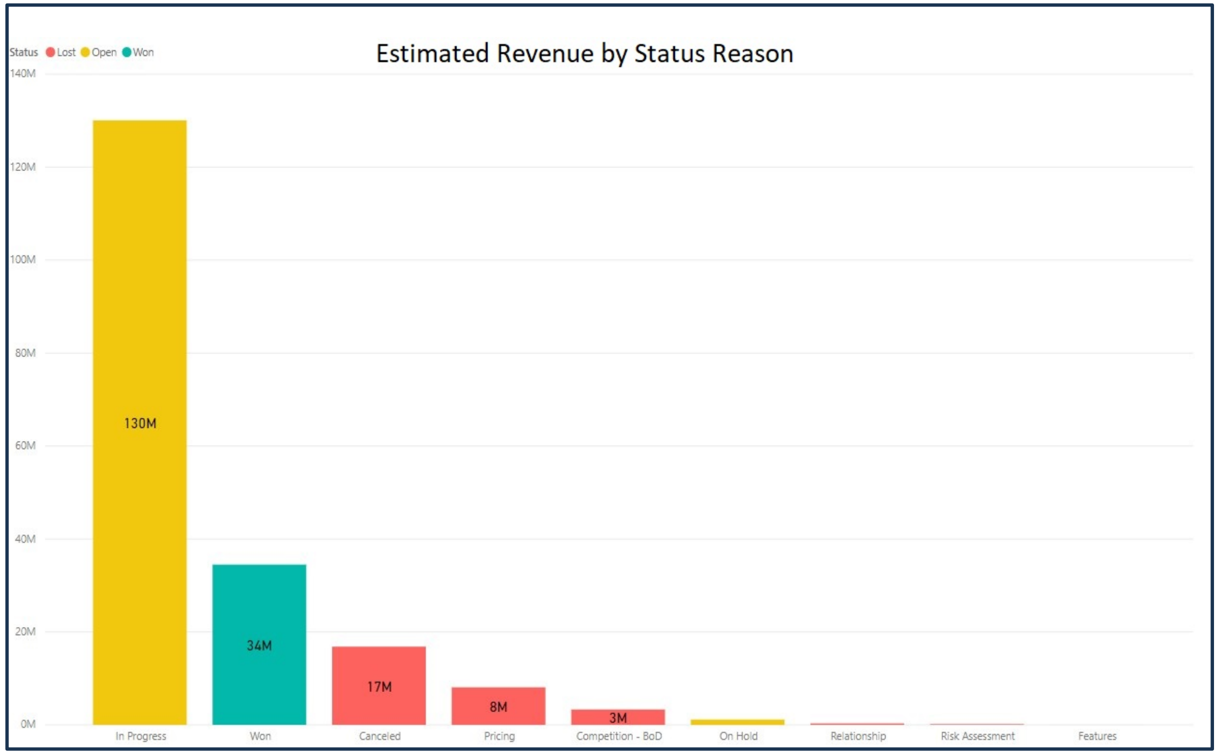
- Strategic focus execution for projects based on cash flow, timing of production requirements, contract risk.

Field offices

- TX and SW are regions required significant improvement. Both areas have had consistent turnover of talent as well as leadership. Currently, both areas now have new hires in place for sales, project management, and estimation of work. Focus no on formal process improvements and consistency of project execution.

Hufcor win loss rate and pipeline



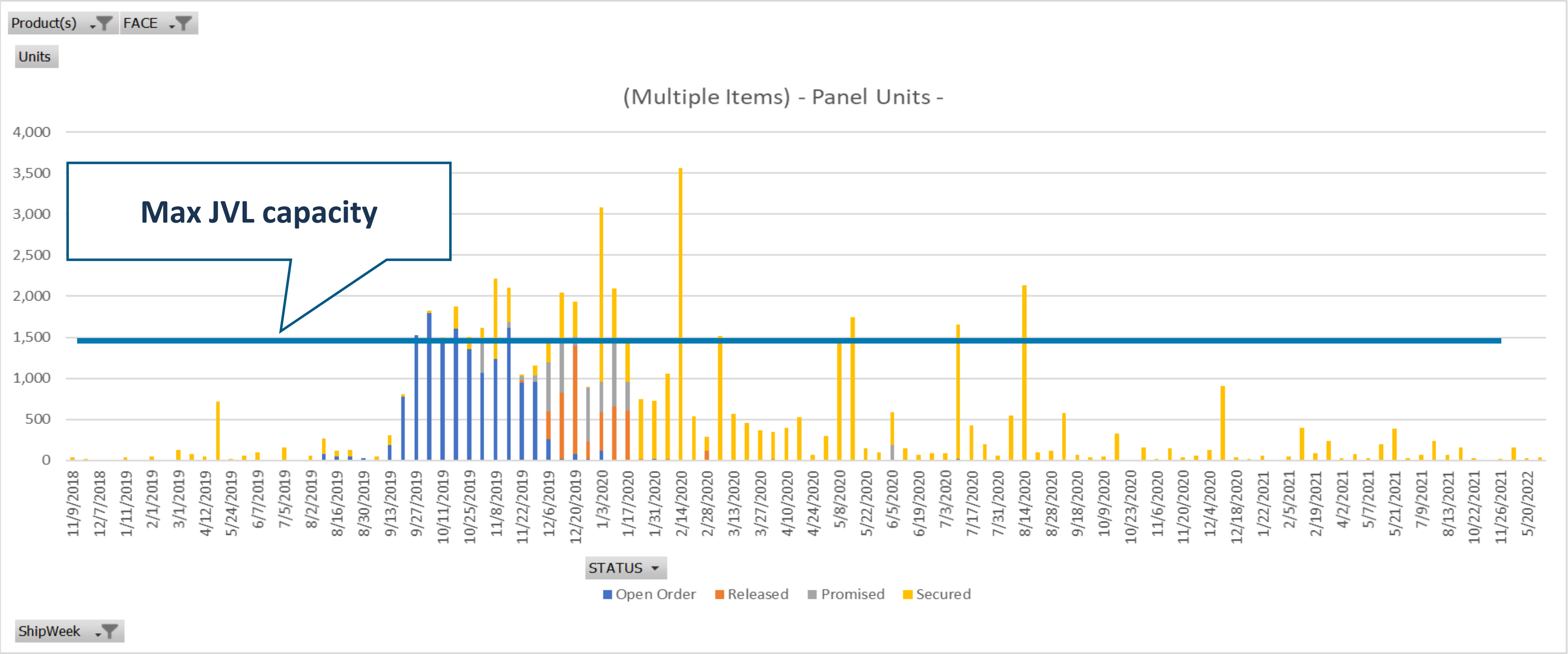


- $31mm in qualified leads
- $11mm working with architect to scope
- $60mm in negotiation

- $103mm total pipeline

Securements

Extended backlog and booked capacity through the end of the year. Recent operational improvements have raised capacity by 10%, re-optimization of schedule and production will occur next month



Management Discussion:

Securements are "bookings" or orders we have a contract or LOI.

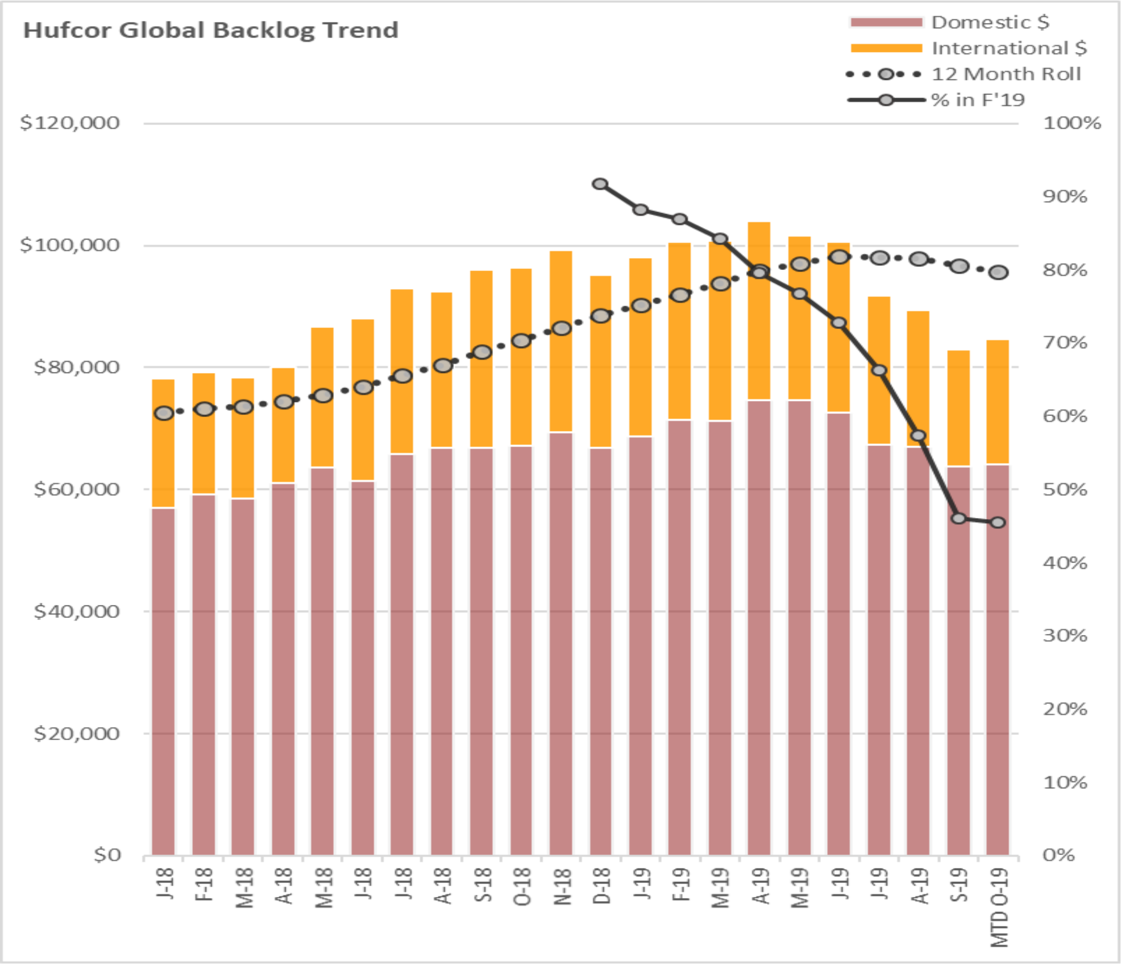
- Yellow are securements awaiting release.
- These are orders we will and can move up in production as capacity improvements are proven.
- Below are represented in "UNITS" not revenue.
- Past months are orders that need "estimated ship dates" adjusted. This is typical of project delays.

Backlog

Total backlog is $82.89mm down from March 2019. Roughly 46% of the current backlog is expected to roll off in 2019 with a tail of projects which extend primary in the US out into 2021

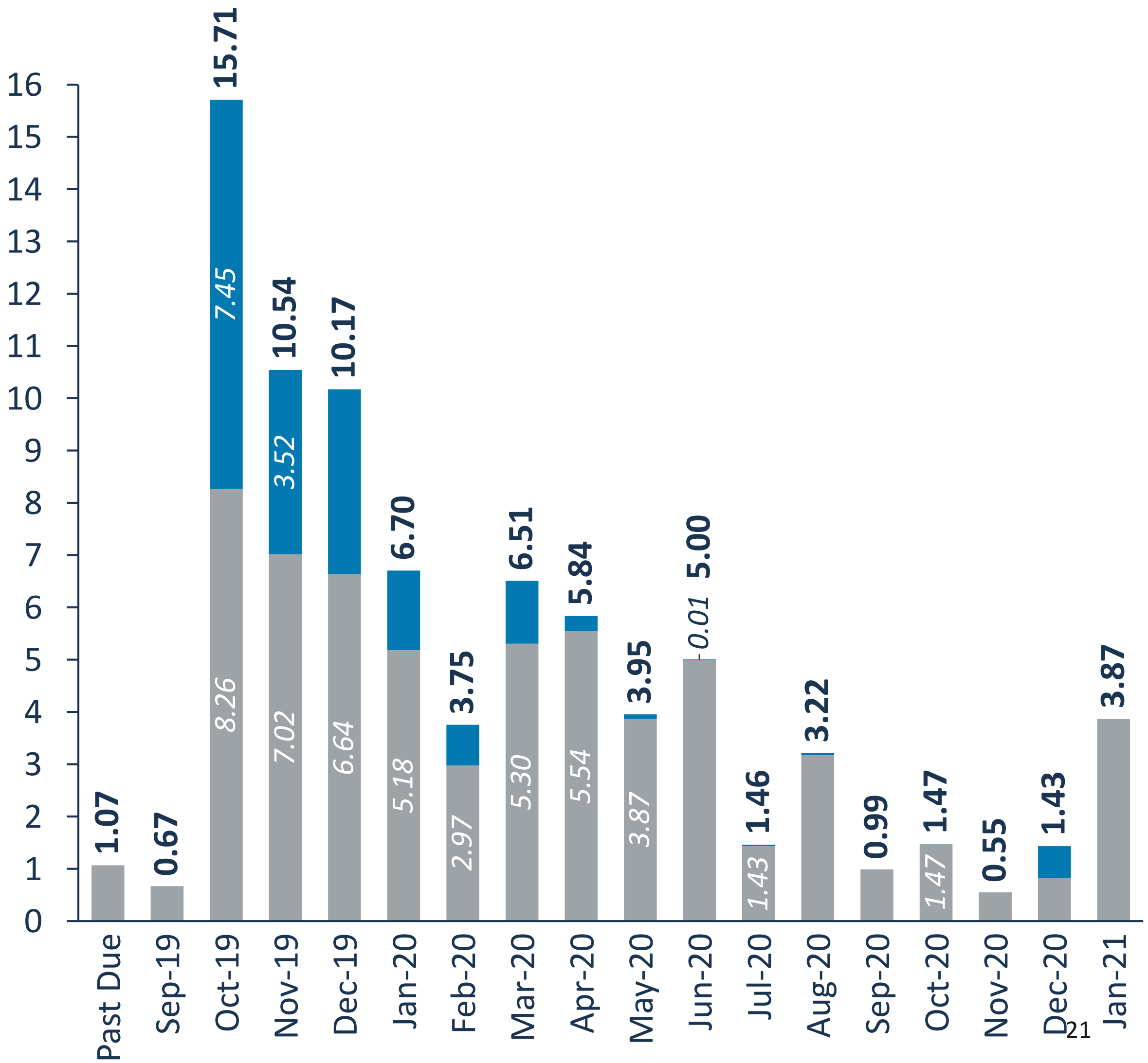
Historical backlog

Thousands USD; 9/15



Backlog roll-off

Millions USD; 9/30

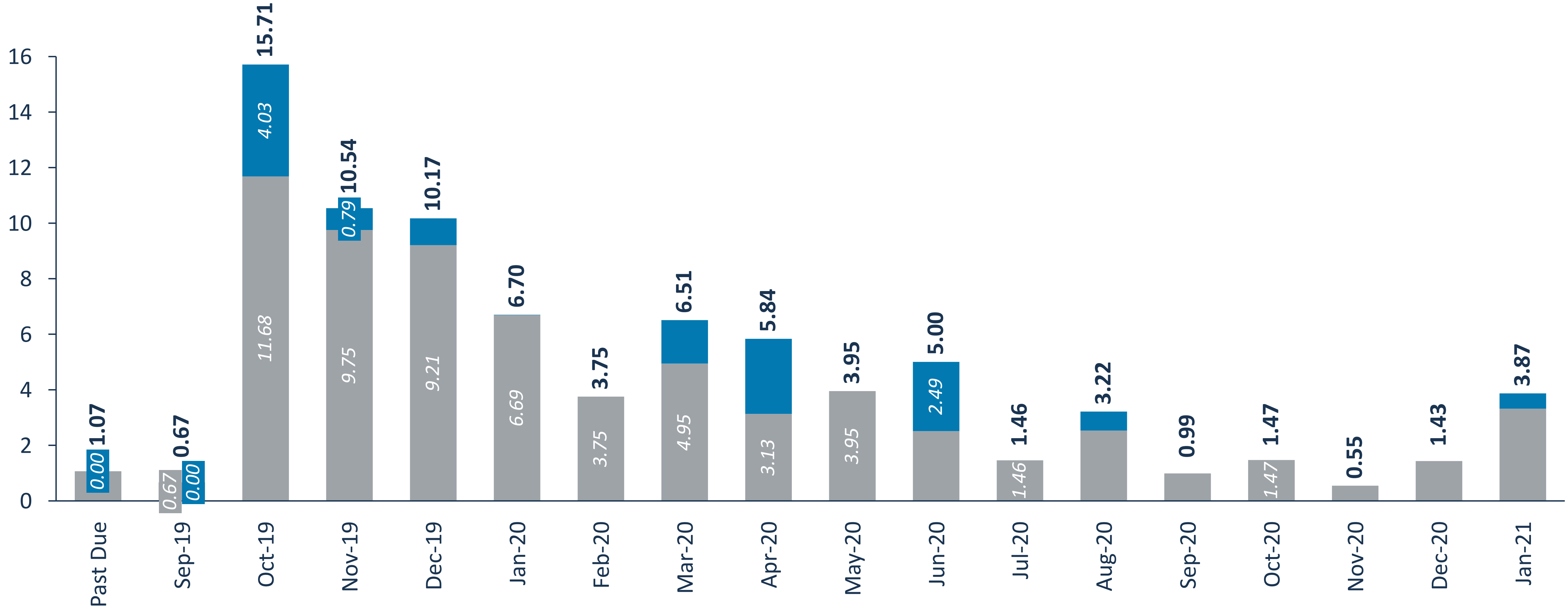


Mega project backlog

Currently there are 15 mega projects (>$500k) in the backlog, all but two are domestic with two international projects

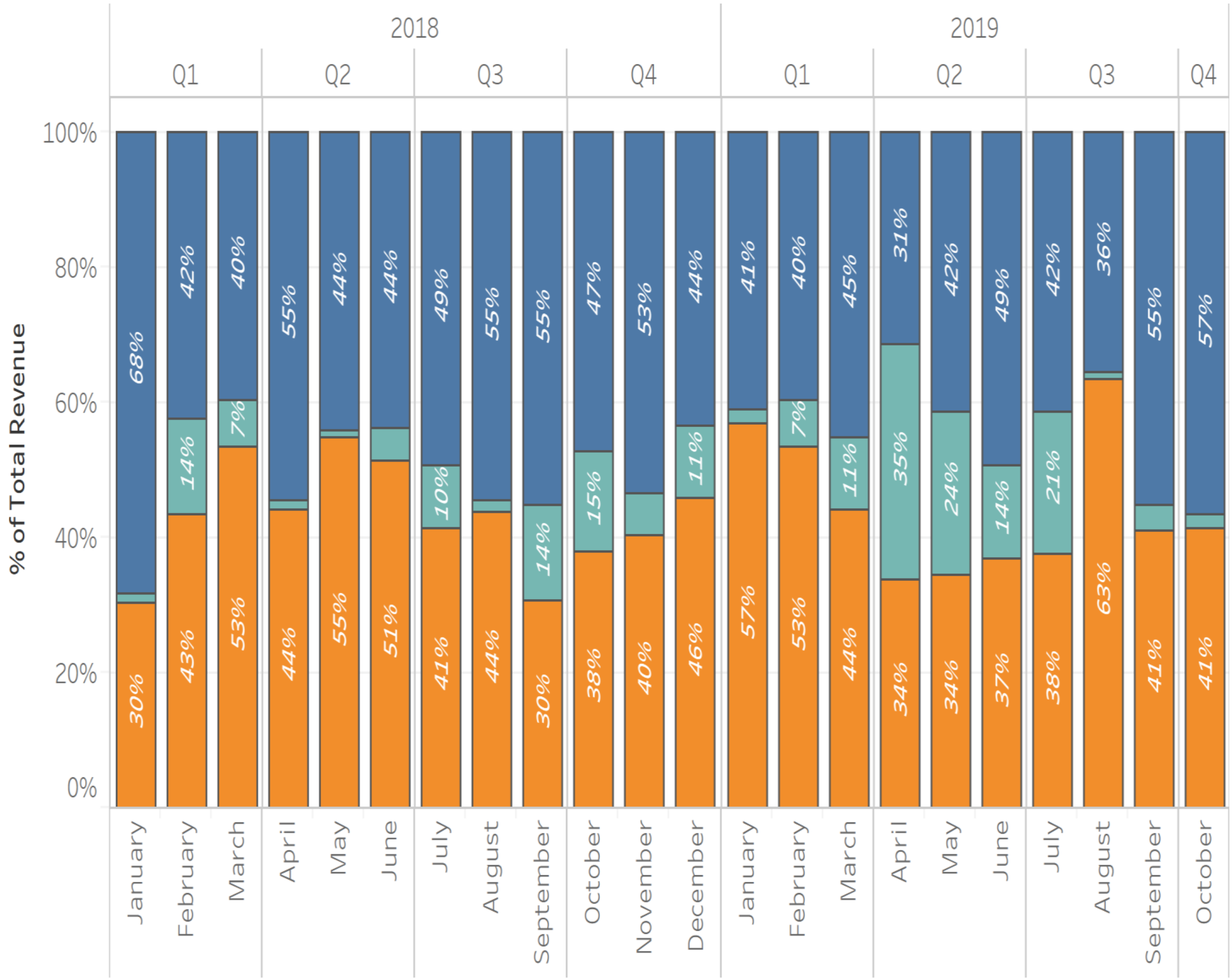
Projected backlog

Millions USD; mega vs smaller projects; 9/30



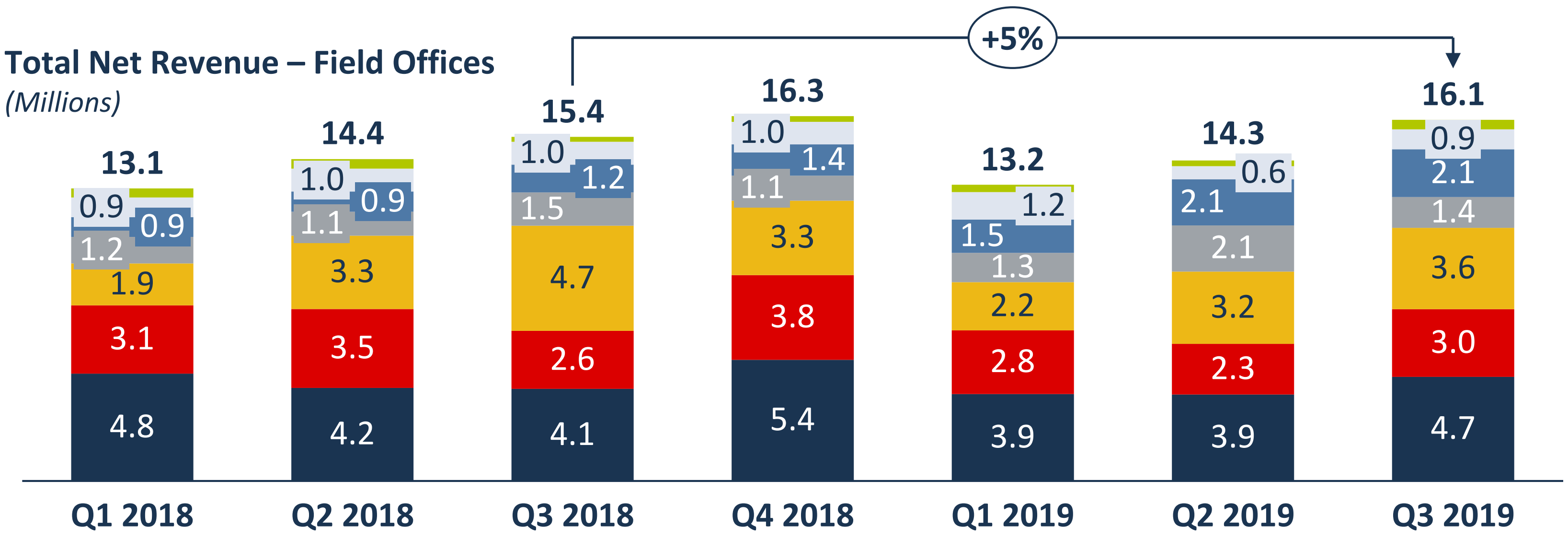
Channel Sales - Janesville

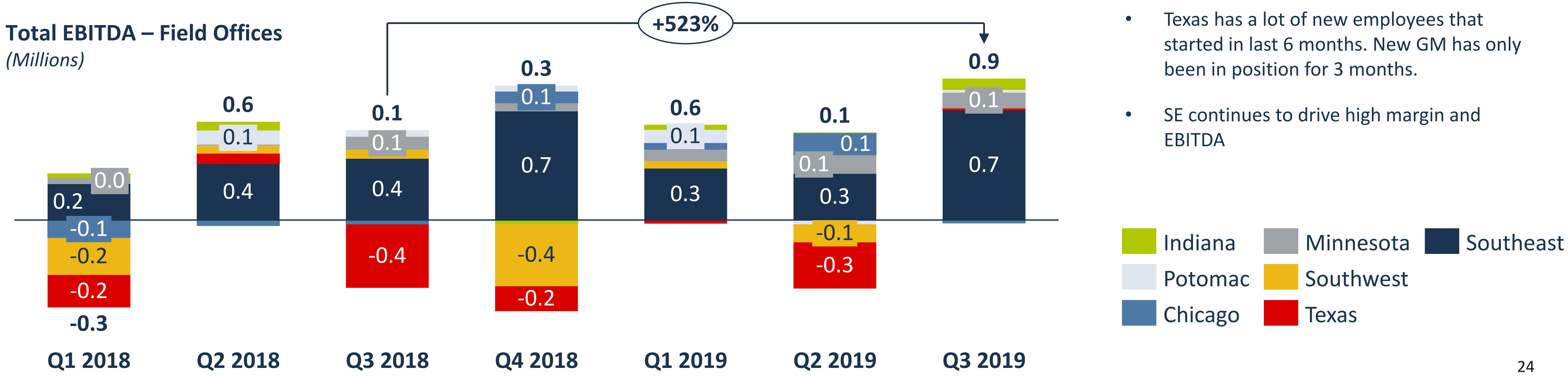
Manufacturing revenue



- Day to day sales are negatively affected by price increases and lead times.
  - Long lead times (18 weeks) have resulted in distributors unwilling to allow Hufcor to bid projects that fall within those lead times.
  - Poor product quality, performance, and poor delivery has pushed distributors to put higher margins on their bids to cover their risks resulting in a lower win rate
  - Distributors are exclusive with Hufcor, but sell other product lines

Hufcor Revenue by field office





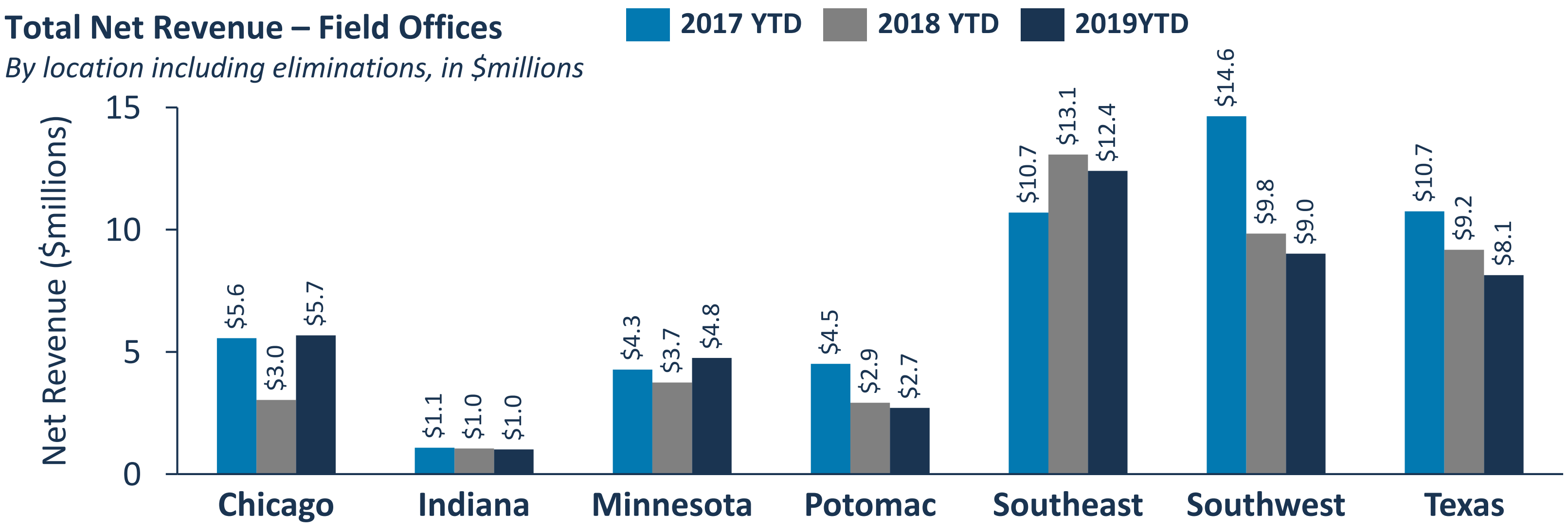
- Q3 2019 service center revenue is $16.1mm, up 5% from $15.4m Q3 2018
- EBITDA is up significantly to $.9mm
- SW 2018 EBITDA -$514k, 2019 YTD -$67k tracking to our goal of not ending with negative EBITDA
- 2019 the SW has had a lot of change for the good and the team needs to settle into new roles
- Texas 2018 EBITDA -$690k, 2019 YTD -$300k improved but under performing.
- Texas has a lot of new employees that started in last 6 months. New GM has only been in position for 3 months.
- SE continues to drive high margin and EBITDA

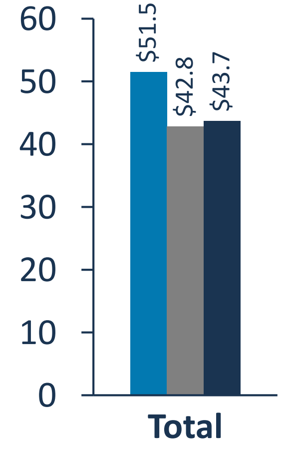
Hufcor Field Office Contribution Detail – YTD comparison

Overall field office revenue

Total Net Revenue – Field Offices

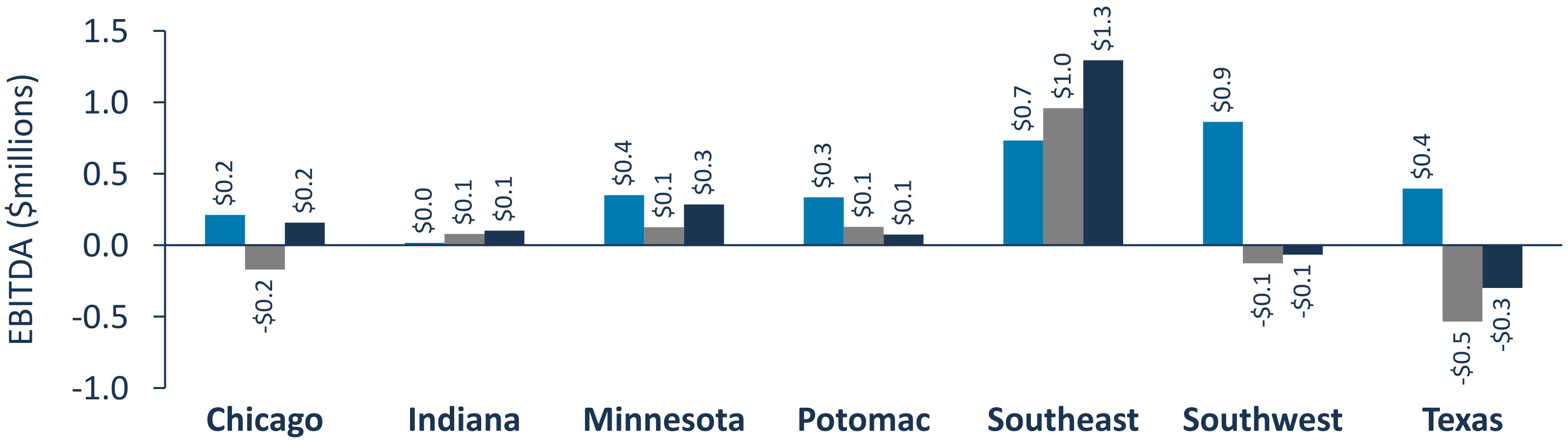
By location including eliminations, in $millions

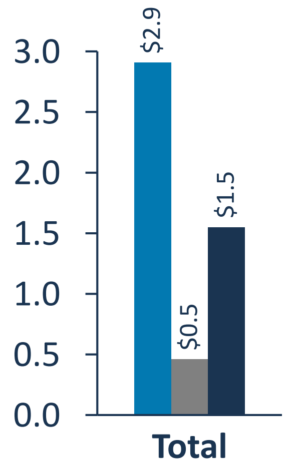




Total EBITDA – Field Offices

By location including eliminations, in $millions





Domestic operational summary

Key workstreams to deliver >$2mm in annualized EBITDA based on current sales volume with additional margin upside coming out of Production, Quality, & Logistics

	A. Production	B. Quality	C. Inventory	D. Safety	E. Logistics
Current state	• 18 week lead times • Inefficient scheduling process • Inefficient use of resources • Impending $3 million liquidated damages	• No comprehensive quality program • Total cost of quality estimated to be >$2mm/yr	• Inventory cycle count accuracy <50% • Transactions not being entered • Last Physical Inventory was in 1983	• Poor safety performance affecting Sales Team's ability to bid on projects • Numerous safety concerns that could result in heavy OSHA fines	• No shipping manager, using outsourced SCS consultants • Shipping does not have the ability to route plan, or load plan efficiently • Production schedule being driven by Shipping schedule
Completed & Planned Actions	✓ Increased production output to avoid liquidated damages ✓ Increased productivity (units/hr) by 9% since week of Sep 15th ❑ Implementing new "Secured to Ship" scheduling process ❑ Designing new 4th assembly line to add 20% capacity ❑ Return lead times to 8-10 weeks for Op Walls (market competitive)	✓ No incomplete shipments w/o customer sign-off ✓ Data sheet training ✓ S.I.M. Production Boards ❑ Quality Database & Countermeasure Methodology (Internal, External, & Scrap) ❑ Full-Time Quality Manager (short-term) & team (long-term) ❑ In-process controls	✓ Implemented new cycle count procedures ✓ Created new transaction protocol ✓ Created non-conforming and customer supplied inventory locations ❑ Full physical inventory in December ❑ New stockroom controls	✓ Hired interim Safety Manager ✓ Restored safety metrics tracking and Safety Board ✓ Created 90-Day Get Well Plan ❑ Hire full-time Safety Director ❑ Formal 5S Program Launch ❑ Field Office-specific Safety Training Program	✓ Hired Director of Logistics ✓ Implemented PFEP ✓ KPI Metrics for On-Time Delivery and Order Completeness ❑ Production Plan that drives Shipping Plan ❑ Panel scanning technology to facilitate load & offload ❑ Create route optimization process with performance measures
KPI's / Target	**KPI:** Units / Labor Hr **Target:** 25% Improvement **Impact:** $1.5mm	**KPI:** Total Cost of Quality ($) **Target:** 23% reduction (Oct19-Sep20) **Impact:** $460k	**KPI:** Cycle Count Accuracy ($) **Target:** >90% **Impact:** $TBD	**KPI:** TRIR & EMR **Target:** TRIR < 3.0; EMR < 1.0 **Impact:** $200k EBITDA (TRIR); $TBD Sales opportunity (EMR)	**KPI:** tbd **Target:** tbd **Impact:** tbd

A. Production – Labor Productivity

New “Secured to Ship” process will have significant impact on floor productivity (Go-Live set for week of Nov 4) while a potential 4th operable wall line will boost capacity in Janesville by 20%+ and restore Hufcor’s market competitiveness

Objective: Increase Janesville productivity via waste reduction (lean) and reduction in process variation (six sigma) while significantly increasing capacity to boost Hufcor’s market competitiveness

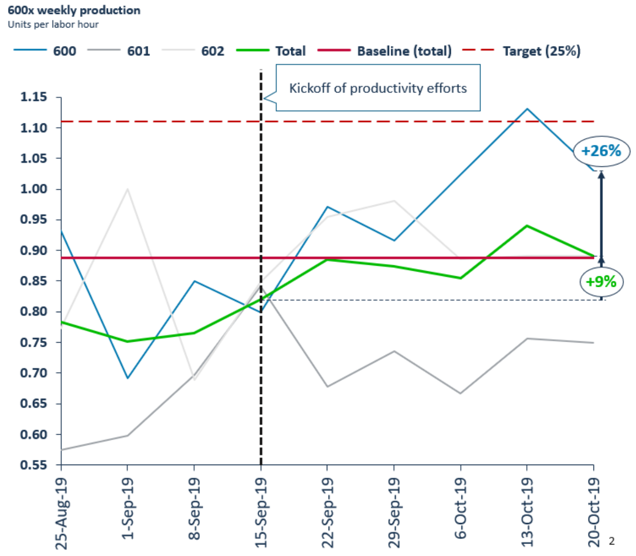
Critical KPI: **Units per Labor Hour (Units/Hr)**

Current: 0.89 (2018 avg) *Target: 1.11 (+25%)* *Annualized Impact: $1.5mm*

Problem Statement – Current State

- Productivity suffering from a combination of inefficient scheduling and order movement, poor quality standards and audit processes, elevated workforce turnover rates, and “green” supervisory staff
- Labor shortages in JVL prevent ideal continuity in workforce and restrict the potential of a more robust second shift
- Recent periods have included an unsustainable amount of mandatory overtime (incl Saturdays)

Current State – Critical Data



Key Activities – Completed

1. **Improve Scheduling Process**
   - Implementing new “Secured to Ship” process that will effectively freeze the production schedule 2 weeks prior to ship date and mitigate much of the confusion that results from excess order movement
   - New S2S process will also include various control points that will help provide earlier visibility to Purchasing for customized materials, limit overproduction on the factory floor (specifically in the support areas), facilitate easier loading of panels during the week, prevent customer specification changes “late in the game”, and allow for temporary storage of panels on-site if needed
2. **Reduce Lead Times**
   - Since management transition, lead times have been reduced from 18 weeks to 14 weeks (Goal is 8-10 weeks for Op Walls)
3. **Conduct Kaizen events in critical production areas**
   - Successful Kaizen event held at front of 600 Line which will decrease non-value added activity by over 50% and significantly improve the material requisition process for that workstation

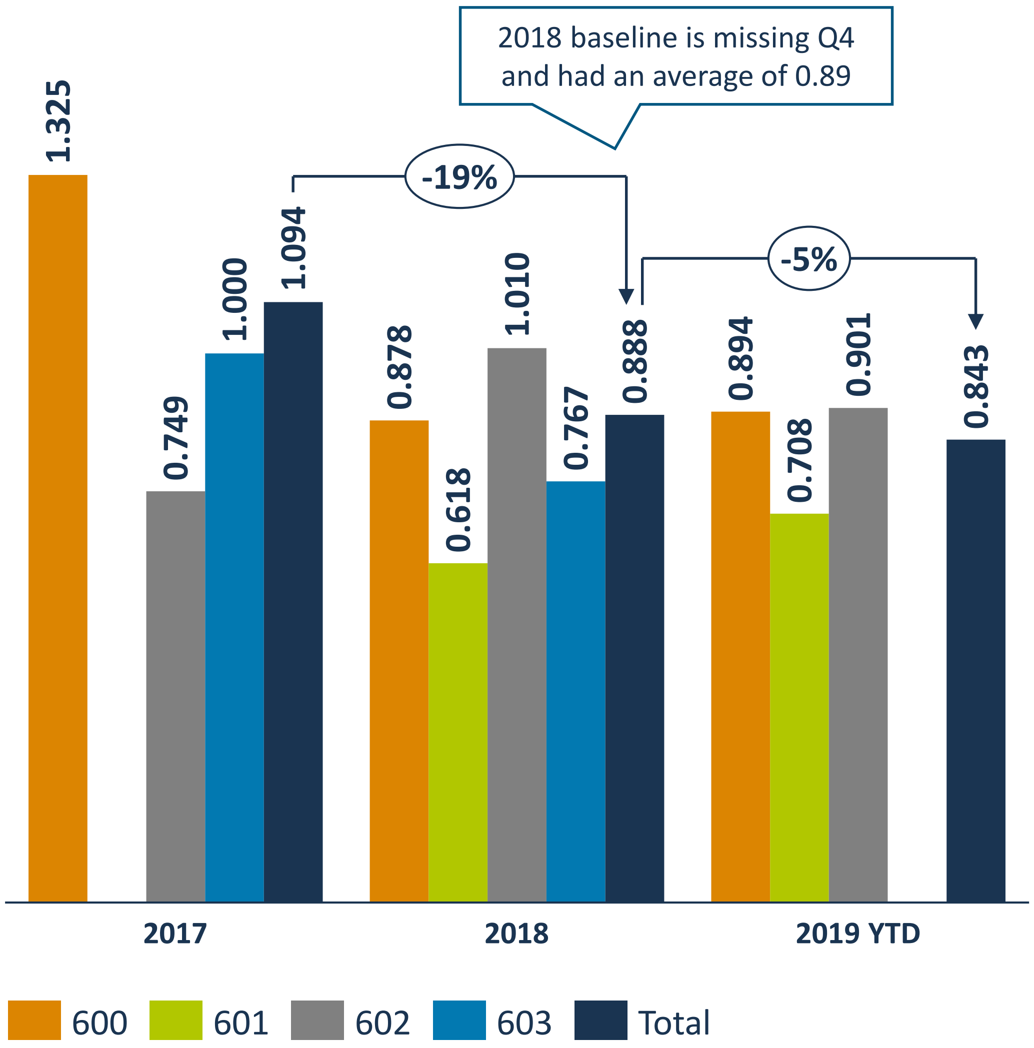
Next Steps

1. **Improve Productivity**
   - Future Kaizens and lean projects will reduce non-value added activity, facilitate better material and information flow to workstation, and incorporate in-line quality checks into select workstations; prioritized list in-process
2. **Increase Production Capacity**
   - Investigating feasibility of 4th panel assembly line (non-glass) which would increase weekly capacity by over 20%; if feasible, goal is to have Line 4 up and running by end of 2019
   - Second site potential is still being reviewed as Athens winds down (full withdrawal planned for December)
3. **Hire a VP, Domestic Operations**

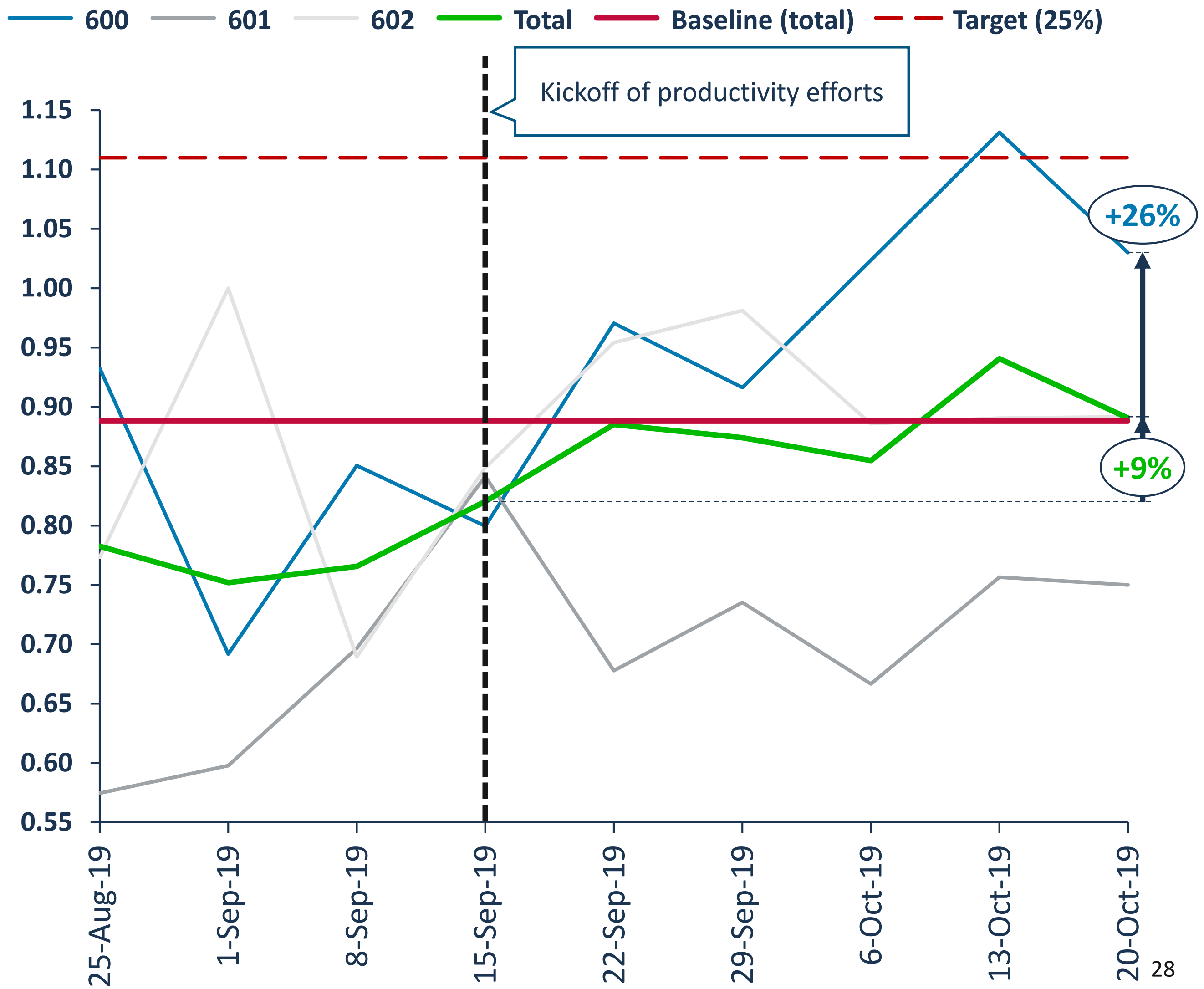
Labor Productivity

Tracking of units and productivity was stopped in late 2018 and restarted in August 2019. Total 600x average productivity in 2018 was 0.89 units per hour and has trended down by 5% in 2019. Productivity efforts to date have been focused on the 600 line which has improved 26%

600x average production - Baseline
Units per man hour; 2018 vs 2019



600x weekly production
Units per labor hour



Kaizen – 600WLD Area

Successful first Kaizen event incorporating full union support

Problem Statement:

- 600 line is the primary production line producing approximately 40% of total output
- The Weld/Mech area is the gateway process
- Full changeover times range from 20 to 30 minutes
- There are 2 to 8 changeovers per shift

Objectives:

- Reduce full changeover time by 25%
- Identify and fix 2 safety issues at workcell
- Identify and fix 2 quality issues

Results:

- Full changeover time reduced by 53%
- 7 safety issues identified
- 2 new quality practices implemented: 1st piece inspection and new SOP for changeover

Next Steps:

- 14 additional improvement actions identified and being implemented by supervisor
- Kaizen event for the remainder of 600 line
- 30-60-90 day follow up
- Additional Kaizen event leaders to be trained

Training:

- Team received 2 hours of Introduction to Lean Training
- Incorporated Union training materials

Using the tools:

- Two teams developed solutions using spaghetti diagrams, process maps and identification of the 7 Lean wastes

Implementation:

- Teams implemented their ideas on the floor and conducted 2 trial runs
- Additional improvement ideas generated

Safety and Quality:

- Safety issues are prioritized and will be followed up by interim Safety Mgr
- 1st piece and in-process inspection to be monitored by interim Quality Mgr

A. Production – S&OP

Opportunity exists for significant improvement in the way that Sales and Operations exchange information to maximize revenue; New tools in process for Sales (demand) and Operations (supply) to facilitate new S&OP process

Objective: Analyze and measure current efficacy of Hufcor's Sales & Operations Process. Redesign current process to increase cross-functional visibility of customer requirements (demand) and production capacities (supply)

Critical KPI: **Plan vs. Actual**

Current: -- *Target: --* *Annualized Impact: --*

Problem Statement – Current State

- Current process does not have a clean line of sight between customer demand and production lines.
- Current process does not have standard data set or template to review
- Duplicating efforts across multiple meetings

Current State – Critical Data

- Process extremely manual
- Open / Secured Orders
  - Major Jobs
  - Quick Ship
- Production Line
  - Secured orders not visible in MPS
  - Production Line / Product Matrix needed
  - Order movement within frozen window
- Component long lead-times
- Shipping missing descriptive information

Key Activities

1. **Design Sessions**
   - Review previous and current datasets
   - Review previous process maps
   - Conduct Demand / Commercial key data requirements /process
   - Conduct Production / MPS / MRP key data requirements / process
2. **Template Design**
   - Confirm definitions of key data elements
   - Build a basic model of Data element requirements
3. **Roles & Responsibilities**
   - Confirm Facilitator / Official Recorder / Mandatory Attendees
   - Basic Agenda

Next Steps

1. Continue current weekly process
2. Finalize Template / Data / BI Process
3. Review data integrity within Date fields / Finite Scheduling / Racking Strategy
4. Correlate Shipping strategy to Production line

B. Quality

Quality is affecting internal and external customers in an equally negative way; a complete rehaul of the current quality systems and processes is necessary to improve customer satisfaction and gross profit

Objective: Create a comprehensive Quality Database and complementary resolution process to ultimately reduce external and internal quality defects and process scrap by at least 20%

Critical KPI: **Total Cost of Quality ($, External + Internal + Scrap)**
Current: ~$2mm *Target: 23% reduction* *Annualized Impact: $460k*

Problem Statement – Current State

- Lack of quality control is contributing to lower productivity rates, depressed customer satisfaction levels, and excess material cost of goods sold
- Some process around external quality tracking (TCAR) mainly for tactical rework and warranty claims; no process or tracking of internal quality or scrap performance

Current State – Critical Data

	Annual ($K)	% Savings	Savings ($K)	Assumptions
TCAR (Rework)	800	30%	240	~50% of this is backorder (scheduling and throughput issues)
Scrap Metal	400	20%	80	Assume 50/50 Engineered vs. Process Scrap
Scrap Other	200	10%	20	Assume comparable % scrap as metals
Internal Rework	600	20%	120	Assume 20% labor spend on avoidable / NVA rework
Total	**2,000**	**23%**	**460**	

KA – Completed

1. **Data sheet training**
   - Provided mandatory data sheet training for all employees <2yr, optional for tenured staff
2. **Quality audit & countermeasure process**
   - Validated process, Countermeasures defined; Piloting change control process to implement
3. **Hired Interim Quality Manager**
   - Rick Melito focused on QE w/ Aaron Olmstead support on Quality Database construction and resolution methodology

Next Steps

Task	Status	Target Date	Comments
Quality Data System			
Phase I: Internal (Assy) & KPI Dash	**On track**	4-Oct	
Phase II: TCAR & Support fold in	**Concern**	15-Nov	Balance of operator complexity / accurate hourly targets, IT planning / resources for TCAR
Phase III: Digitization	**Concern**	20-Dec	Hardware on shop floor, personnel training, IT planning / resources
In-process Controls / Inspection (incl. Receiving)	**On track**	22-Nov	Piloting in 600, plans to roll out; Rick will lead Receiving inspection process when he returns in Nov
Scrap Reduction Initiative	**Not Started**	20-Dec	
Layered Process Audits	**Not Started**	29-Nov	
Ramp-up future state Quality Dept	**Not Started**	20-Dec	

C. Inventory

Current inventory management process is overly complex and lacks consistent adherence causing massive inventory discrepancies, significant production disruption, and wasteful procurement practices

Objective: Analyze and measure current effectiveness of Hufcor's inventory management process. Implement new processes and procedures to achieve 90% cycle count accuracy post-Physical Inventory in December.

Critical KPI: **Cycle Count Accuracy (%)**
Current: 49% *Target: >90%* *Annualized Impact: tbd*

Problem Statement – Current State

- Cycle Process has only counted 9% of total inventory, as of September.
- Same inventory items stored in multiple locations, but Cycle Count Process is performed based on Locations.
- There has not been a physical inventory performed in the last 30 years.

Current State – Critical Data

- Current # of Location: 1,098
- YTD Cycle Counts reduced inventory ($1.4M)
- Inventory Database # of items = 10,134
- 694 Items with on hand qty with zero cost
- Special Customer P/N's > $1.0M inventory on hand
- 14 Different Unit of Measures
- Utilizes Random Access Storage methodology

Key Activities – Completed

1. **Data Integrity**
   - Analyze inventory data from system for Obsolete / Potential Scrap Inventory
   - Updated zero costs with last purchase price
2. **Cycle Counts – Now performed by Item (all locations)**
   - Perform focused cycle counts on items that had zero usage in the last year
   - Relocated physical inventory identified as Obsolete / potential scrap and systematical (Purge Location)
   - Completed Obsolete / Special P/N's / Maintenance Cycle Counts
   - Completed Critical Items
3. **Physical Inventory**
   - Completed physical inventory in Athens
   - Preliminary Plan developed for Janesville

Next Steps

1. Update Commodity Codes in System
2. ABC current inventory based on Commodity code / usage per year – 11/8/19
3. Conduct focused cycle counts on "critical item" and A & B classified items within next 6 weeks.
4. Conduct Physical Inventory in December 16th – 17th
5. Update the Cycle Count SOP utilizing the Critical / ABC methodology
6. Evaluate appropriate Inventory Stocking Strategies

D. Safety

Revitalization of safety program is critical to employee safety and financial performance (i.e. excess workers compensation claims, sales bid potential); full-time manager being prioritized in near-term recruiting effort

Objective: Revitalize a culture focused on employee safety both in Janesville and the field (sales offices and install sites) and realize significant reductions in recordable injuries as measured by TRIR and EMR

Critical KPI: **TRIR (Total Recordable Incident Rate) & EMR (Experience Modification Rate)**
Current: 3.78 / 1.16 *Target: <3.00 / <1.00* *Annualized Impact: $200k*

Problem Statement – Current State

- No Safety Manager on staff and no owner for safety in Janesville or Field Offices
- Current EMR metric (1.16) above the desired level (1.00) for GCs to allow Hufcor to participate in sales bids

Current State – Critical Data

- Bi-weekly Safety Committee Meeting
  - Union and Hufcor participation
- 90-Day Get Well Plan being received positively by general contractors and distributors
- Safety Boards refreshed and on display on production floor
- Janesville facility has been recordable-free for over a month

Key Activities – Completed

1. **OSHA Reporting Requirements**
   - Understand and install procedures
   - Forms 300A and 301A
2. **Safety Metrics Refresh**
   - Sourced data and assigned ownership of safety data & metrics
   - Incorporation into SQCD daily discussion, Plant Manager staff meeting, and safety board on production floor
3. **EMR Get Well Plan**
   - Quick creation of Get Well Plan has allowed for incremental bid opportunities that would otherwise have been denied to Hufcor

Next Steps

1. Janesville Fire / Tornado / Active Shooter Review – by 11/15
2. Janesville First Aid Review – by 11/15
3. Formal 5S Program Launch – Jan 2020
4. Safety Audit SOPs – Jan 2020
5. Janesville Training & Log Review – Jan 2020
6. Field Offices Training & Log Review – Q1 2020

4 International

International Summary

Overall improvement in international operations from earlier this year but serious revenue challenges are on the horizon

International operations have improved significantly in Q3 compared to H1 2019. Improvement driven by Australia and HK/China, although HK/China is starting to face headwinds from the on-going political situation. Europe is potentially at an inflection point in terms of profitability improvement, and Malaysia remains the biggest at-risk region

- **Europe**:
  - **Revenue** is 20% higher than same period 2018 and 47% higher than same period 2017
  - **Margins**: securement margins significantly higher in September vs. same month last year (14% vs. 9.7%). Actual gross margins also increasing in September, to ~30%. Negative EBITDA in September driven by unplanned large one-off expenses (including $80K for Steve Long)
  - **Backlog** and bookings is declining due to lack of new major project securements in 2019. Currently reviewing with customers to craft a plan

- **Australia/NZ**:
  - **Revenue** expected to be 98% of budget for FY 2019, driven by unexpected invoicing delays in New Zealand. However, it is up significantly vs. 2018 (up 116% vs. in September, and up 72% for the quarter)
  - **Margins** is slightly underbudget at 24% (vs. 25% budget) due to lower margins on NZ projects. Full year EBITDA $ expected to be 93% of budget, but up 179% vs. 2018 YTD
  - **Backlog** is holding stable, but order intake is expected to slow towards end of year

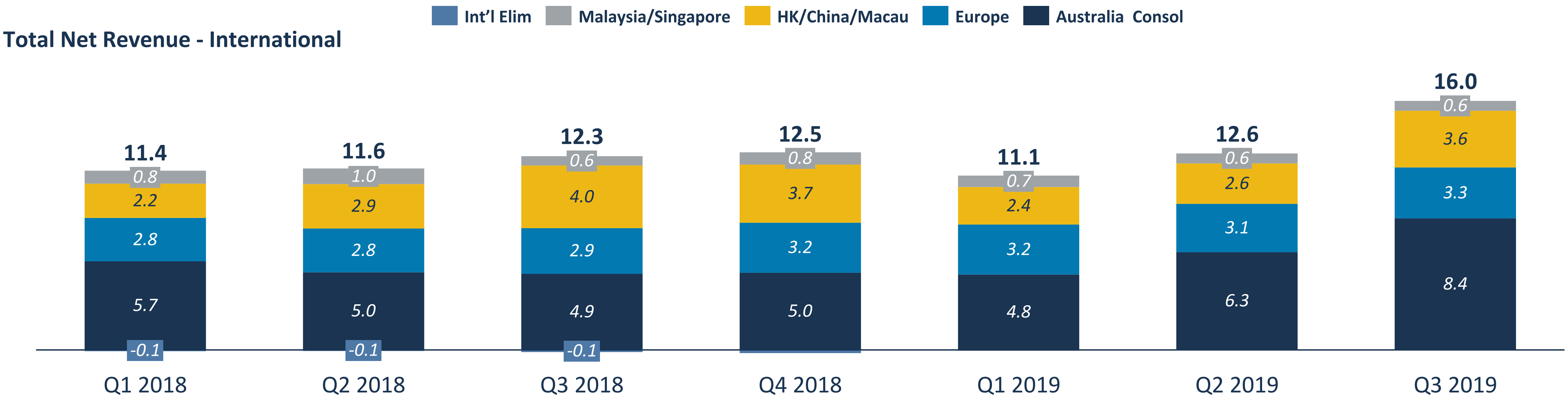
- **China/HK/Macau**:
  - **Revenue** is down 35.4% for September and 4.1% for YTD in HK compared to 2018, driven by the political situation causing projects to be delayed and put on hold. China revenue is also below budget due to lower shipments to HK
  - **Margins**: EBITDA margins declined in HK due to higher COS from expediting shipments to the Macau Athlete Training Center project and higher office rent. China EBITDA margins improved significantly in September due to tighter OPEX management
  - **Backlog** declined by 7.2% in HK vs. same month 2018 due to lower bookings amidst the political situation. China's backlog, however, grew by 15% to $2M

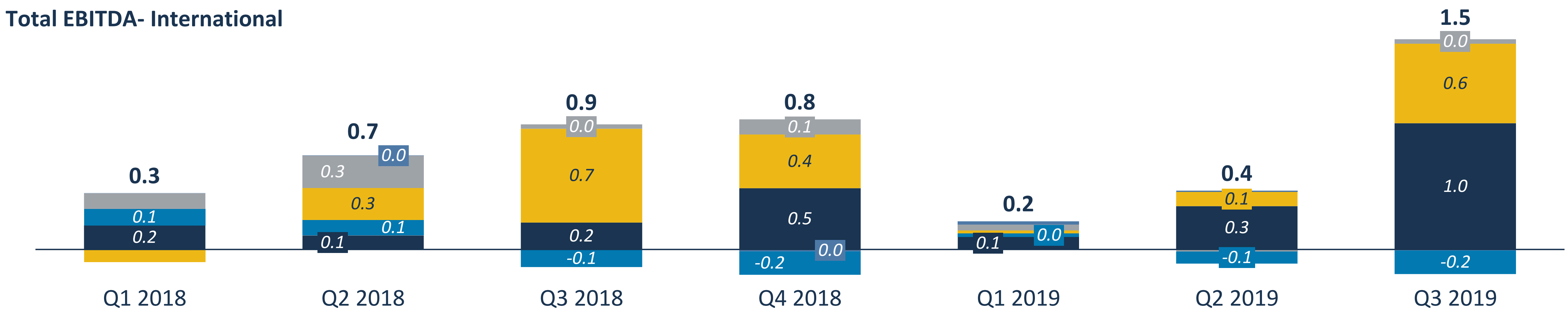
- **Malaysia**:
  - **Revenue** is down 18% for the quarter vs. 2018, driven by continued sluggish economy in Malaysia and Singapore
  - **Margins**: EBITDA margin is improving in September vs. 2019YTD driven by OPEX reduction (18% lower vs. September 2018) and PPV savings (3% YTD). However, gross margins continue to deteriorate with COS increasing from 60% to 73%, due to continued intake of low margin projects in Indonesia and India
  - **Backlog**: backlog has dropped significantly, from $1.3M in September 2018 to just $151K in September 2019. Team is focused on securing major projects worth $4.8M

- **Licensees:**
  - Overall revenue from licensees has declined at 5% CAGR and is down from ~$747k/yr to $562k in 2018

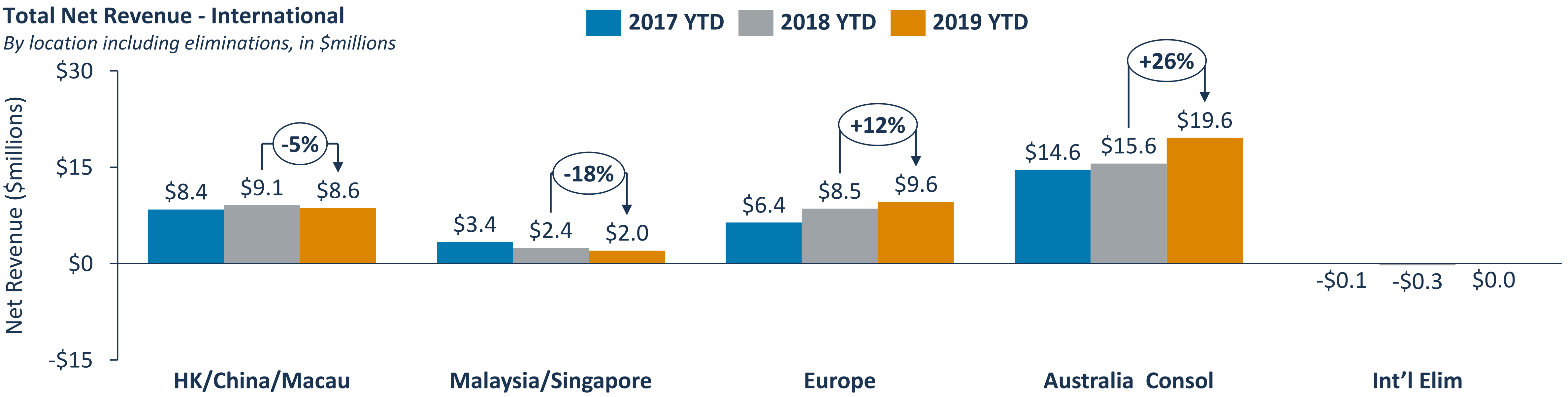
Historical international revenue by country

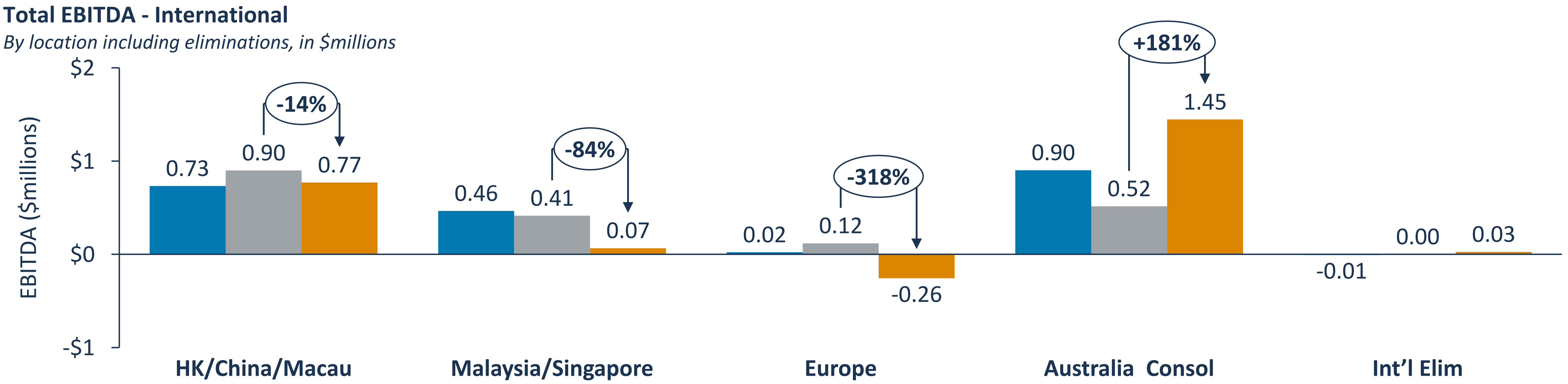
Q3 has seen a complete rebound of the overall international business in revenue and EBITDA from earlier 2019



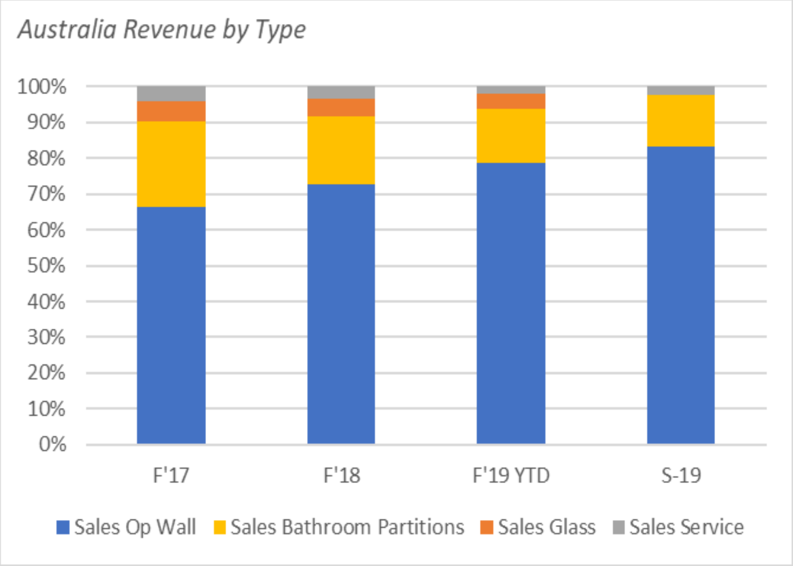


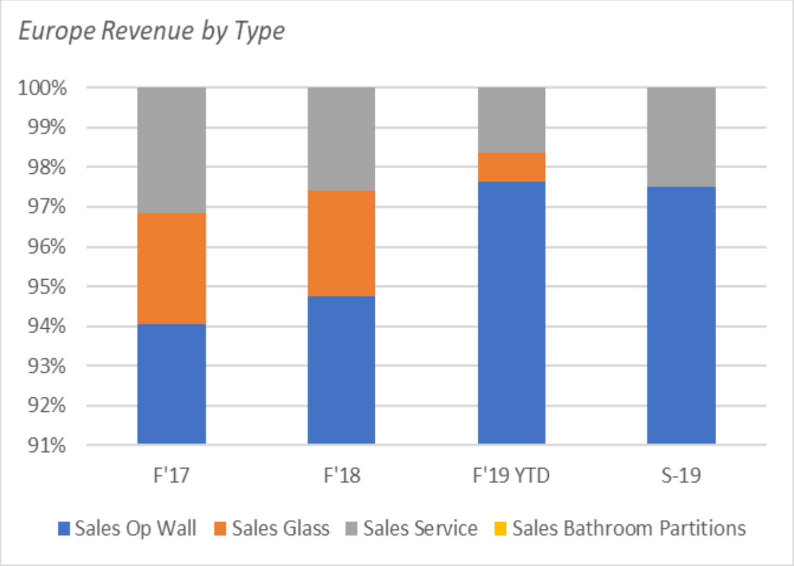
International Contribution Detail

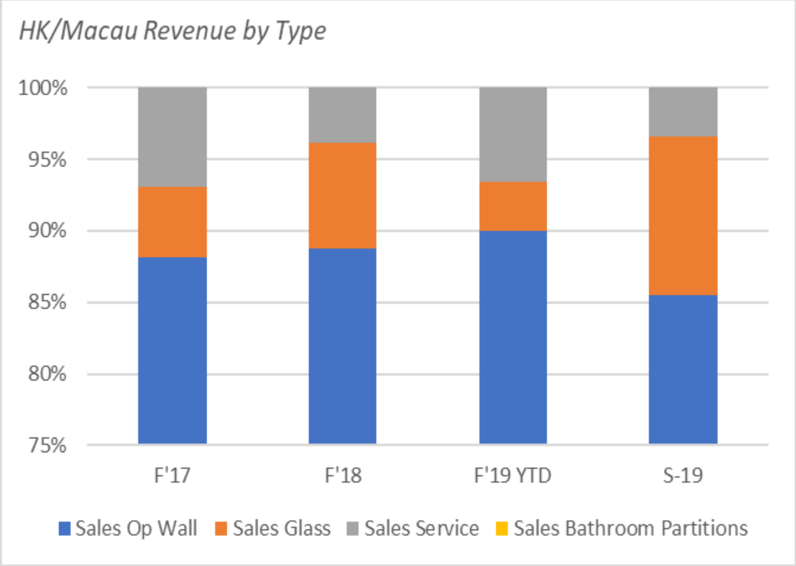


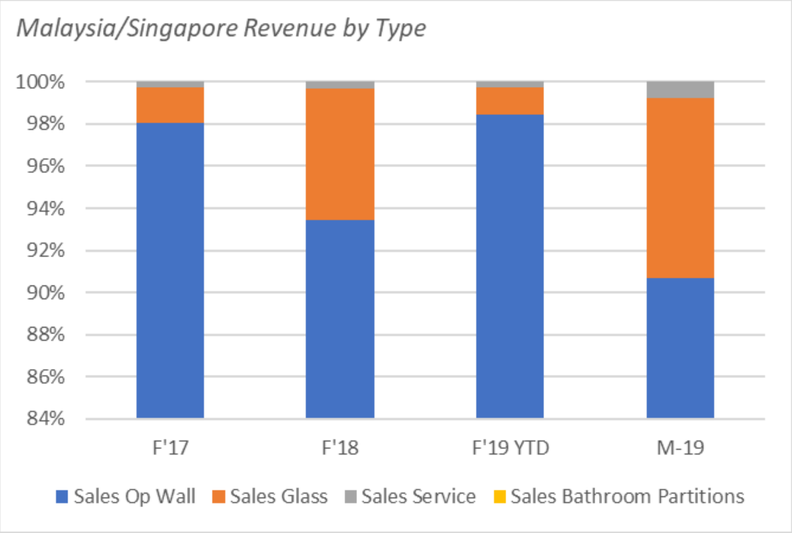


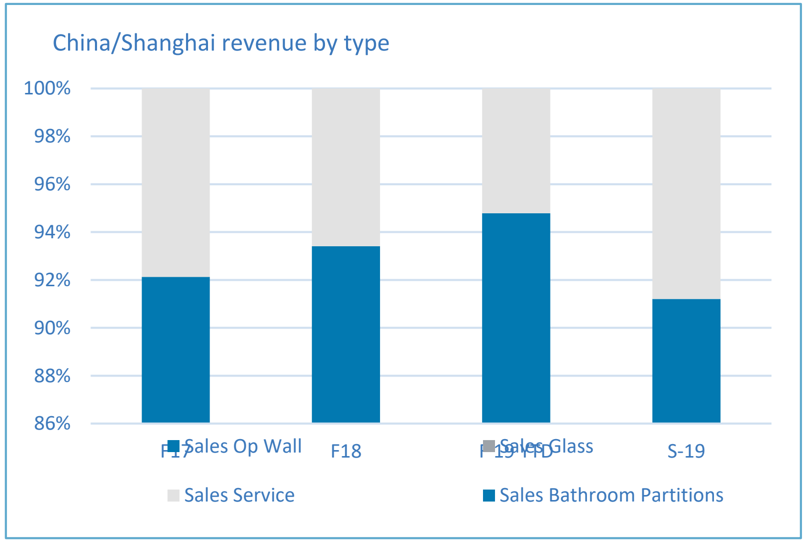
International product segments









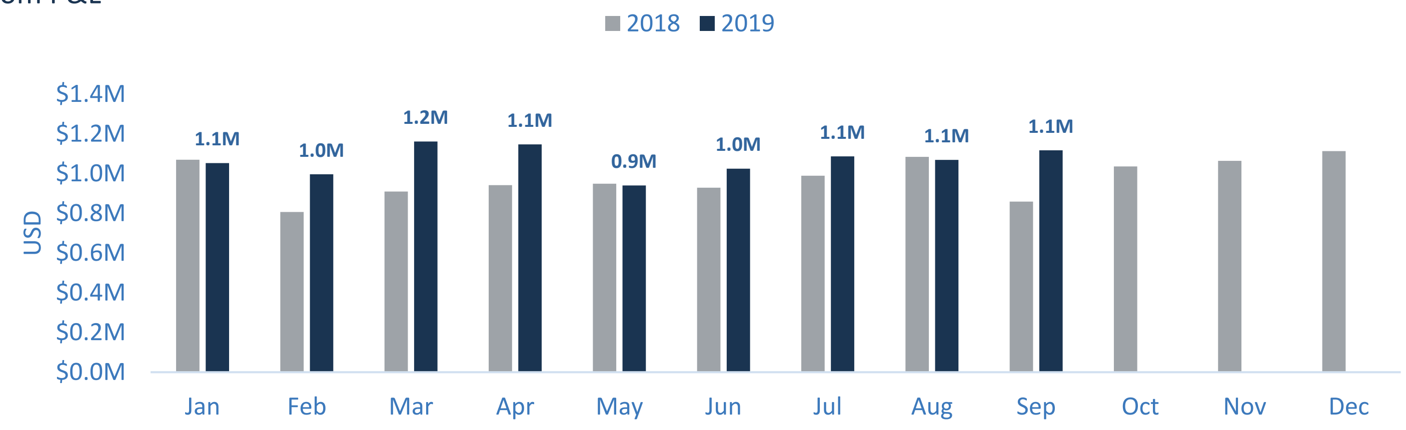


Europe Overview

Sales is trending to be 8.5% higher than last year. EBITDA has improved, however bookings have declined yoy

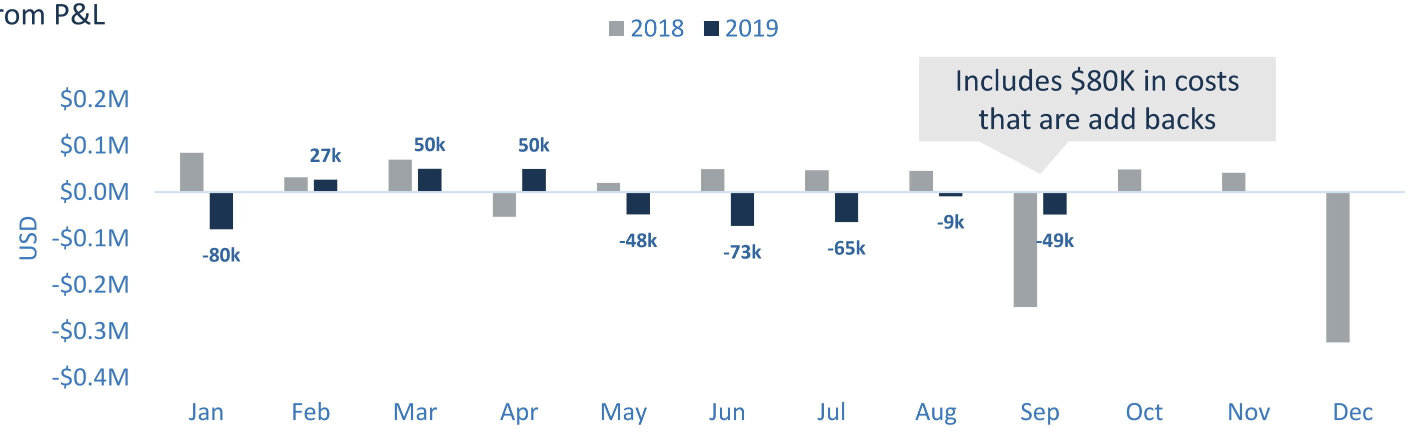
Sales Trend

From P&L



EBITDA Trend

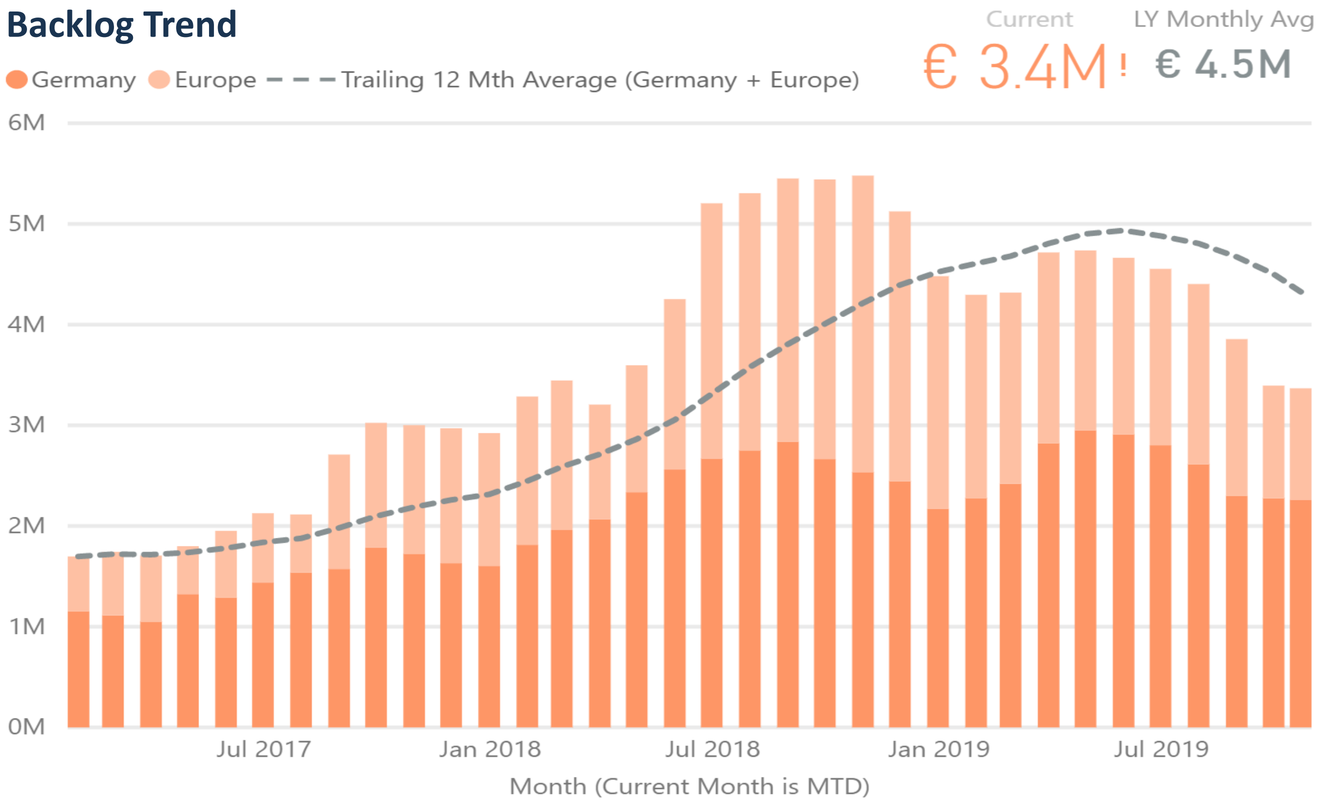
From P&L

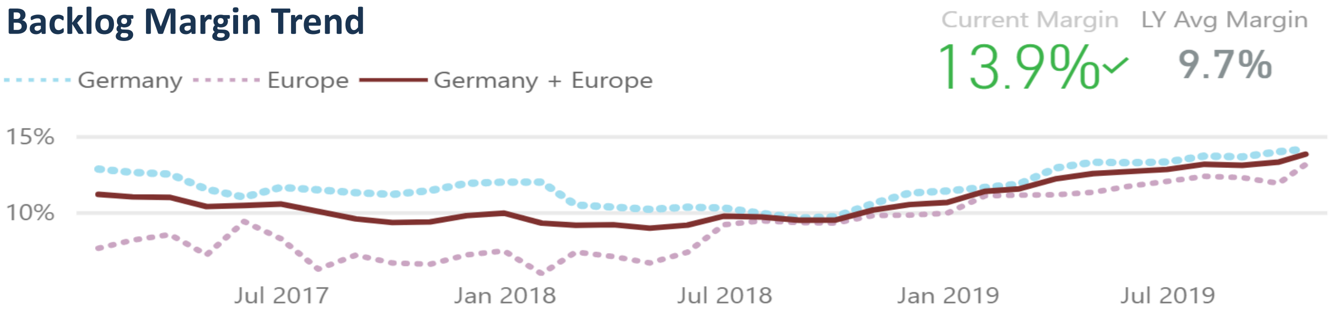


- 2019 sales has been higher than 2018. Full year sales for 2019 is trending at $12.8M, 8.5% higher than $11.8M actual for 2018
- EBITDA remains in the negative at -$49k, however, when adjusted for 3rd party costs this would have been $40k.
- Gross margin for September was 29.65%, the highest monthly level in the last two years due to the June 2019 price increase; a target of 16% has been set to achieve ~$400k in EBITDA annualized improvement
- Key challenges to work through in Europe:
  - **Mega projects:** material cost overruns and production delays for Celtic Manor (worth ~$1M in revenue) has severely affected profitability in 2019 (estimated €240K contribution margin, actual contribution margin likely less than €100K). Mega projects are something Europe is struggling to cope with
  - **Declining backlog**: no new mega projects have been sold in 2019, coupled with organization changes for both agents (terminating the contracts for 10 agents) and distributors (biggest distributor is not renewing contract), is leading to decline in backlog
  - **Organizational challenges**: tensions exist among different parts of the organization, particularly between production and management. A rising level of discontent also exists between sales leader and general manager

Europe Update 1/3

Backlog has been declining since June, primarily due to fewer bookings. However, backlog margin continues to improve





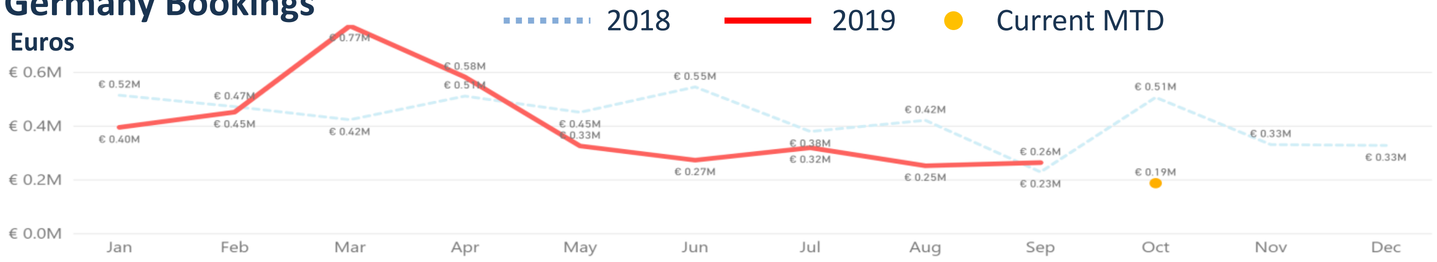
- Backlog has been declining in 2019 since June, likely driven by:
  - The completion of mega projects, primarily Bordeaux and Celtic Manor, collectively worth over $1.6M
  - Slow down in bookings, driven by:
    - Lack of new mega projects being sold in 2019
    - The largest distributor in Europe (Eole) is not renewing contract. Eole's contract ends in March 2020, and while it is still sending bookings, its YTD 2019 booking is €0.9M compared to €1.5M for the same period in 2018.
      - Europe is using this opportunity to subdivide Eole's territory (France) and giving them to a new distributor, as well as an existing Swiss distributor, with the goal of generating higher total sales from these territories.
    - The termination of ~10 agents in Germany. New agents have been hired to replace the terminated agents, and some terminated agents will be renewed with different contracts
    - Higher prices from the price increases taken in 2019
- Backlog looks to be stabilizing in MTD October, compared to EOM September. End of month October and November results need to be looked at to see if the downward trend has been arrested
- Backlog margin continues to improve, from 9.7% in 2018 to 13.9% currently. As new bookings are all in 15%+ range, this number should continue to improve

Europe Update 2/3

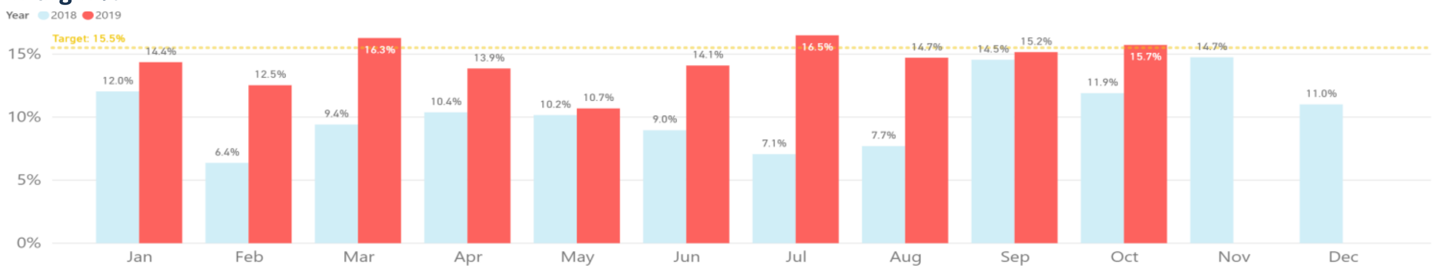
Bookings is trending downwards, driven by shuffling of the agents in Germany and Eole, which is our biggest distributor in Europe. A number of action items are being taken by the team to arrest the slide

Germany Bookings

Euros

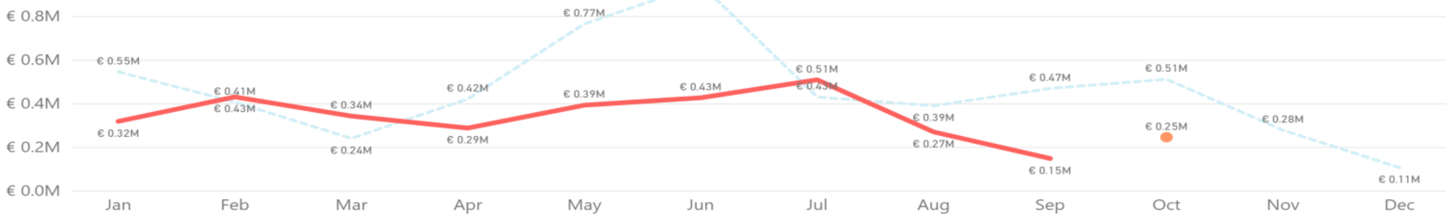


Margin %

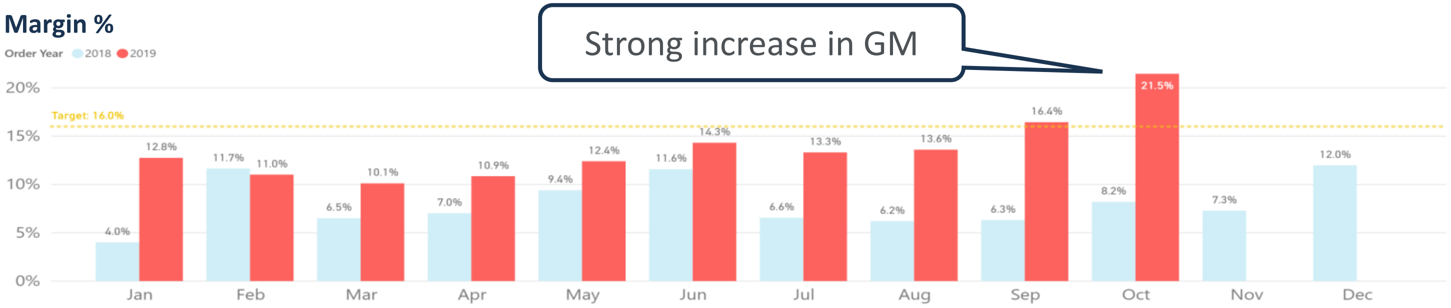


Rest of Europe Bookings

Euros



Margin %

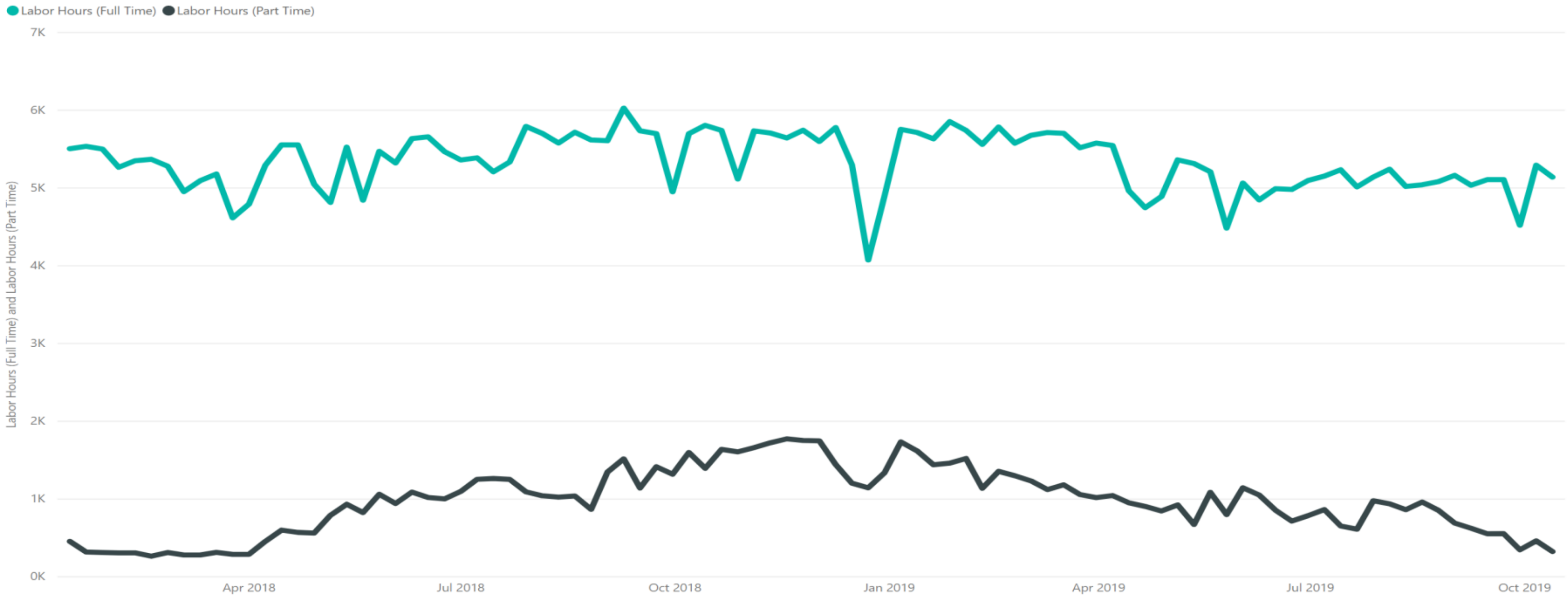


- **Germany**
  - ***Bookings for Germany are down*** and has been consistently lower than the same month in 2018 since May. This is due to the shuffling of the agents in Germany and the price increase
  - We expect ***new contracts for some of the terminated agents are finalized in October***, and newly hired agents becoming more proficient
- **Rest of Europe**:
  - Bookings for the rest of Europe are down driven by the lack of new mega projects to replace Bordeaux and Celtic Manor.
  - French distributor (Eole) not renewing the contract
- **Margin:** both Germany and rest of Europe are selling at higher margins than before, and above the target margins set for them through the pricing project
- The major initiatives being worked on include:
  - Finalize the contracts for agents in Germany
  - Identify a new French distributor, subdivide the French territory, and assign the territories amongst the distributors
  - Complete the time study to update labor costs in the pricing tool

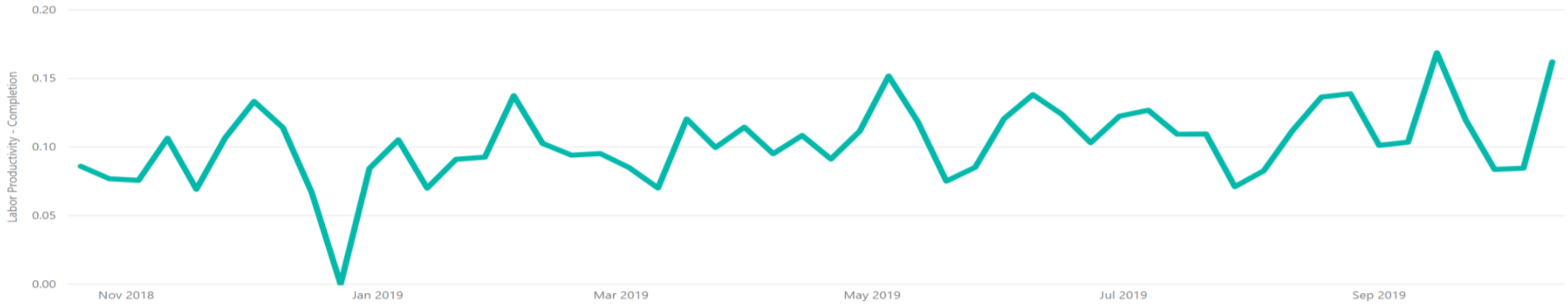
Europe Update 3/3

Labor productivity remains largely constant. The team is developing an action plan to improve data collection, workers, training, and quality based on recommendations from Aaron Olmstead

Total Labor Hours by Week



Units Produced per Labor Hour



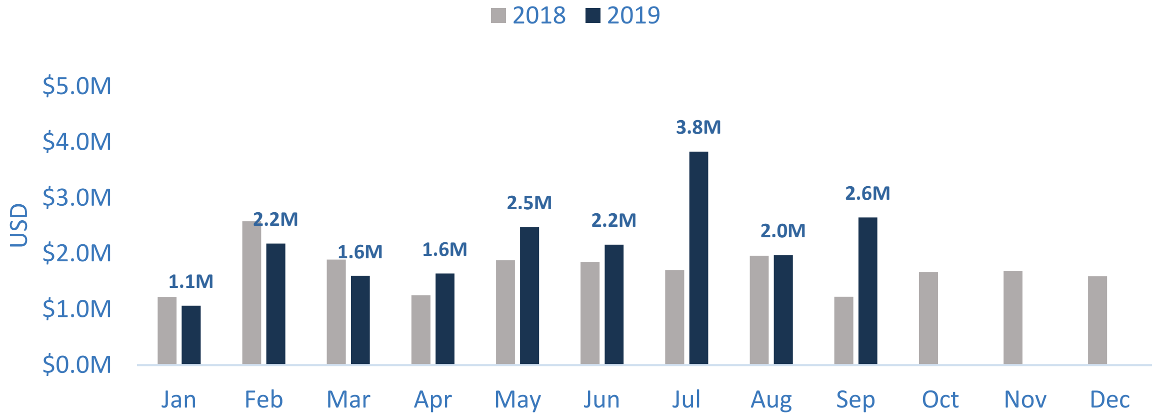
- Total output and labor productivity remain largely constant. Temporary labor usage is trending downward
- In the short term, quality, lead time, and worker morale remain the primary challenges
- External quality expert (Aaron Olmstead) performed an operational assessment of Europe in October, and identified a series of actions, including:
  - **Data collection**: process mapping, downtime data, internal quality data (e.g. scraps)
  - **Worker engagement**: SIM boards, Gemba walk, leadership presence, regular communication
  - **Training**: documenting visual standardized work, usable skills matrix
  - **Quality focus**: root cause analysis, feedback at customer install sites, inspection of incoming material and chargebacks
- Europe team is putting together an action plan based on the recommendations

Australia/New Zealand Overview

Both revenue and EBITDA have been steadily improving since the beginning of 2019. Q3 was the best quarter of 2019 yet

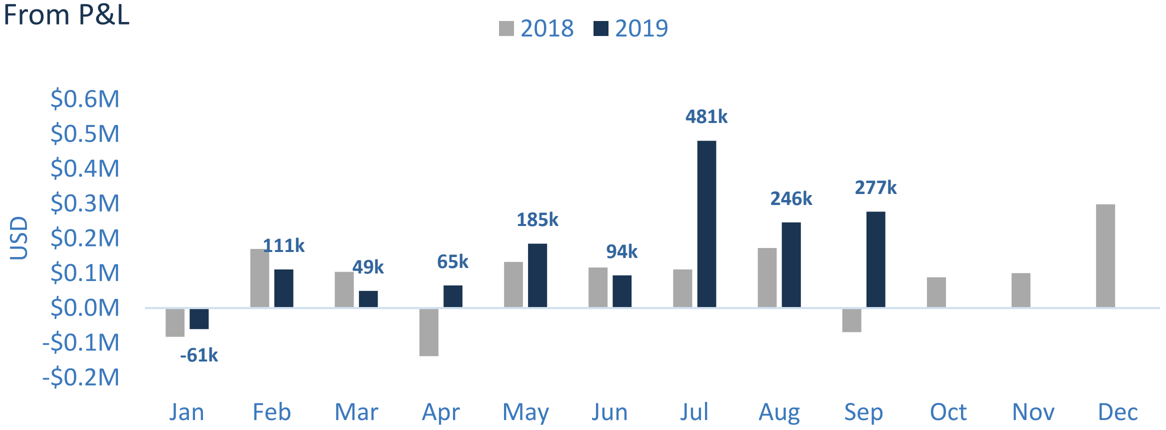
Sales Trend

From P&L



EBITDA Trend

From P&L



Backlog Trend:

- Underlying backlog is holding stable with the majority of work now being for next year. Reduction due to NZ project invoicing with underlying order intake holding against invoicing.
- Order intake holding against underlying invoicing. Continuing with strong average order intake in slowing market. WA & Qld able to pick up sizable projects (300-500k)
- Expecting order intake to slow towards end of year.
- Current backlog puts us in strong position for next year if market can hold strong into the second half of 2020.

Revenue YTD & Month:

- Despite less than expected invoicing for NZ projects we have managed to make up some of this with a strong underlying business.
- Expected to finish year around 98% of Budget Revenue (~$25.9M) despite around $2m of NZ moving into 2020.
- Should be on budget for October and around 20% above for quarter.
- Fire at the Auckland project in October 2019 will delay any invoicing for 6-12 months or more. Will know more when attend site in a few weeks.

COS YTD & Month:

- Expect COS to be marginally over budget for year in line with increased underlying revenue.

OPEX YTD & Month:

- In line with 2018 and will be marginally below budget for end of 2019

EBITDA YTD & Month:

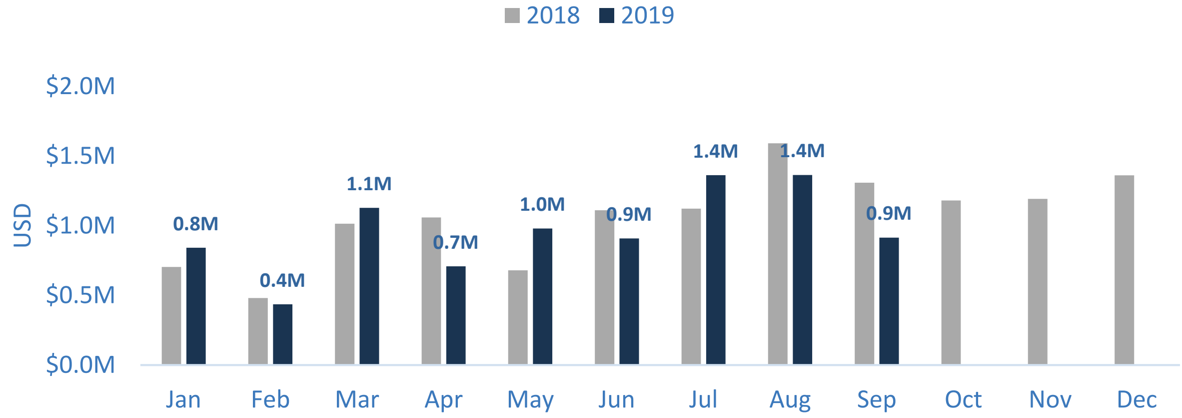
- Expected EBITDA to be around 93% of budget($2.2M) despite reduction in NZ project.
- Margin will be around 24% against 25% for Budget due mainly to slightly reduced margin in the NZ projects. This will level out at project close.

China/HK/Macau Overview

Revenue and EBITDA have improved markedly since earlier this year, but the on-going political situation in Hong Kong is starting to bite

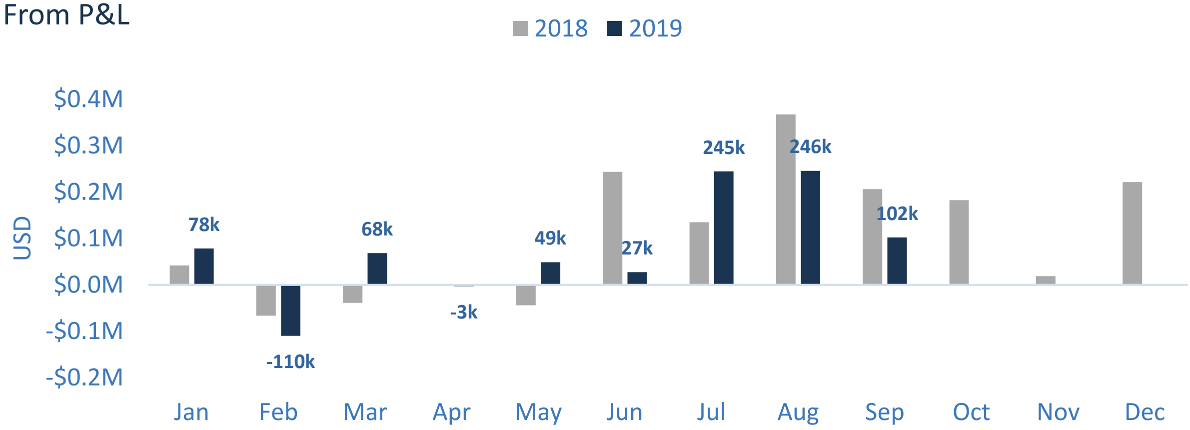
Sales Trend

From P&L



EBITDA Trend

From P&L



Backlog Trend:

- **HK:** As of Sep 2019, our backlog was USD2.99M, and as of Sep 2018, our backlog was USD3.22M, or a decrease of 7.2% YOY. The securement result in Sep was USD0.35M. Due to the negative impact of the current political incidents in HK on the business activities, securements in Sep was relatively low.
- **China:** backlog increased from USD2M to USD1.73M. Majority of projects are 600 Series

Revenue YTD & Month:

- **HK:** Sales for YTD Sep 2019: USD5.74M, compared with YTD Sep 2018: USD5.99M, or a decrease of 4.1% YOY. Sales for the month of Sep 2019: USD0.57M, compared with Sep 2018: USD0.88M, or a decrease of 35.4%
- **HK:** The shipment for certain projects were delayed/on hold due to the recent political incidents in HK. In this connection, we have already expedited some project shipments to narrow the gap which was originally scheduled in Q4, 2019 (for example, the shipment of Macau Athlete Training Center)
- **China:** YTD Sept sales is below budget USD343k Mainly because HK shipments below USD527K. Sept shipment below budget USD407K due to HK shipment shortage

COS YTD & Month:

- **HK:** COS for YTD Sep 2019: USD4.24M, compared with YTD Sep 2018: USD4.29M, or a decrease of 1.3% YOY. COS for the month of Sep 2019: USD0.41M, compared with Sep 2018: USD0.65M, or a decrease of 36.6%
- **HK:** The early delivery of the Macau Athlete Training Center project incurred higher COS YTD as it is a construction site project.
- **China:** Material cost is under control. Labor cost is under controlled in budget because enough volume to absorb fixed cost.

OPEX YTD & Month:

- **HK:** OPEX for YTD Sep 2019: USD1.07M, compared with YTD Sep 2018: USD1.03M, or an increase of 3.9%, mainly due to increase in office rental. OPEX for the month of Sep 2019: USD0.13M, compared with Jul 2018: USD0.10M
- **China:** Overall, operations expenses are under control. Enhance travelling, entertainment, freight, repair, welfare expenses control to achieve budget goal.

EBITDA YTD & Month:

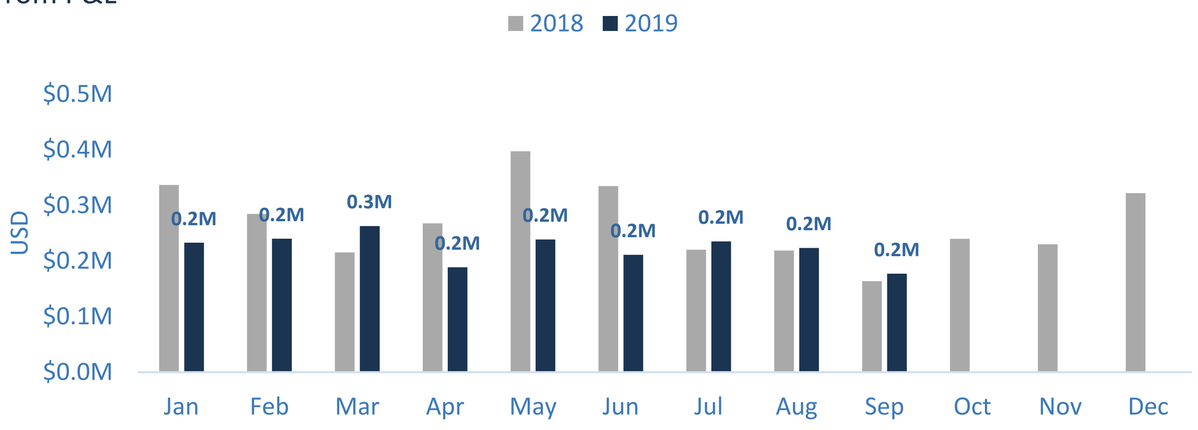
- **HK:** EBITDA for YTD Sep 2019: USD.044M, compared with YTD Sep 2018: USD0.72M, or a decrease of 39.5%. EBITDA for the month of Sep 2019: USD0.02M, compared with Sep 2018: USD0.13M, or a decrease of 82.4%, mainly due to the lower sales as explained above.
- **HK:** The major reason for the drop of EBITDA was due to higher COS. As mentioned above we have expedited the shipment of Macau Athlete Training Center project which incurred higher costs due to the nature of construction site.
- **HK:** The current situation in HK has already impacted most business activities which create uncertainties to economic outlooks.
- **China:** YTD Sept, EBITDA over budget USD134K because in peak season in Jul to Sept

Malaysia Overview

Both revenue and EBITDA continue to deteriorate

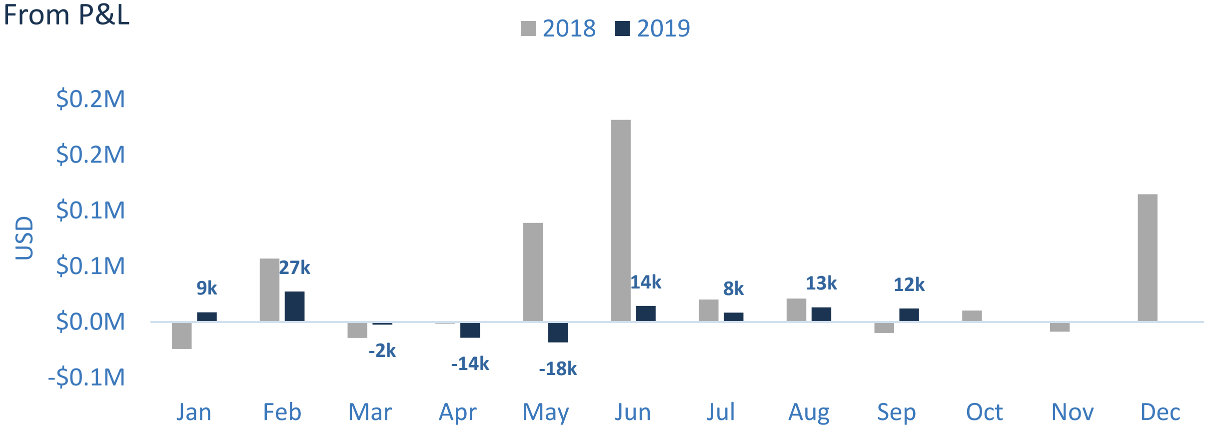
Sales Trend

From P&L



EBITDA Trend

From P&L



Backlog Trend:

- YOY Sep 19 backlog dropped from USD1,316k to USD151K without major project secured/awarded in the pipeline for Q3. YTD Backlog Oct19 increased to USD392K
- The current backlog of USD392K are small quick turn around commercials jobs.
- The focus is on to follow up on key major projects worth US$ 4.8 mil, maturing in next two years.

Revenue YTD & Month:

- YOY Sep 19 revenue has dropped 18%, from USD2,304K to USD1,968K. MTD Revenue increased slightly by 8%, from USD161 K to USD175K.
- Q3 YOY Oct 19 revenue outlook expected to drop by 18%, from USD2,888K to USD2,356K
- The main revenue contributing countries' demand remain low, consistent with the weak economy outlook for Malaysia and Singapore.

COS YTD & Month:

- YOY SEP 2019 COS increased from 60% to 73%. MTD COS is 75% on revenue
- Recorded a YTD Sep 3 % PPV savings
- Continue to take in lower margin jobs from Indonesia and India to balanced off overhead expenses.

OPEX YTD & Month:

- YOY OPEX decreased by 18%, from USD675 to USD550K to be in tandem with the lower revenue generation
- The specification manager will be on board in Nov19, and the Business Development Manager in Jan 2020. This is part of the specification and distribution management emphasis plan.

EBITDA YTD & Month:

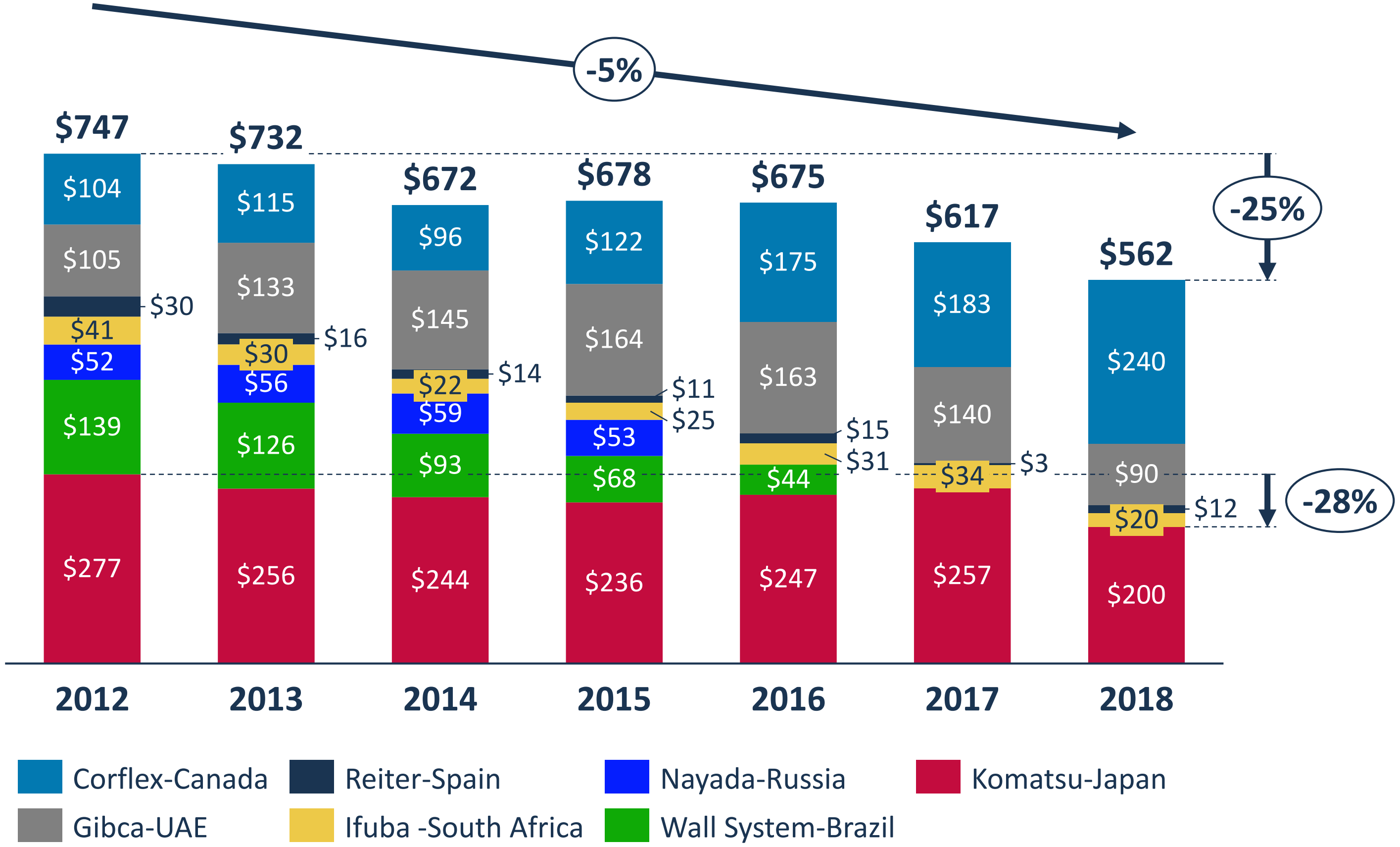
- YOY Sep 19 EBITDA USD48K vs prior year,USD302K. With the lower sales forecast and lower margin in Q3, the EBITDA will merely reach a breakeven by end of Q3
- Pushing for recovery in Q4 when glass products sales starts to materialize.

Hufcor Licensee revenue - Thousands

Since 2012 total licensee revenue is down 25%, and has declined at 5% CAGR.

Licensee revenue trends

Thousands



- Hufcor has historically operated in international regions with a series of Licensee partners
- Licensee partners typically make one to two lump sum payments per year
- Royalty fees vary across each partner, but are generally a % of revenue
- Since 2012 we have lost partners in Spain, and Brazil. In addition our French Licensee is not renewing their contract for 2020 (not pictured)
- Kommatsu has continued to pay licensee fees despite an expired contract and patents.
- Our relationship manager has indicated Komatsu is questioning if they will renewed. Scott and Damian are going to meet with them when in Asia next monthb12

5 | IT

Overview of technology efforts

Technology efforts are focused on for pillers, optimization of platforms, critical business continuity risk, leverage of applications/data, and development of a team

IT Roadmap and strategy

- Initial Assessment & Inventory – Current State
- Completed Interviews with Janesville Managers and SME
- Next Interviews:
  - International Manufacturing Sites
  - US Domestic Field Offices

Business continuity – Security and infrastructure

- Cyber Insurance
- Plan for Disaster Recovery
- Data Protection
- Janesville infrastructure

Team

- Org Re-Alignment
- Career Path / Skills / GAP Assessment

Master data management and applications

- Janesville Data Warehouse
- Data Forms Integration
- Azure / workbench integration
- Partition studio 5

Infor will be ending support for MAPICS in 2022 which will require a full ERP conversion in 2021/2022

1. Roadmap and strategy – Infor XA roadmap

Critical platforms are being assessed, and we are working to identify solutions to reduce overall business risk and simplify platforms both domestically and internationally

Current Environment:

- Running Version 9.3 (9.4 Final Release)
- v9.X Sunset EOL 2029
- Green Screen w/ Power Link
- Failed Upgrades to IFM/EFIN +
- On-Premise Server (Single Server)
  - IBM iSeries – Purchased in 2015
  - IBM SLA 24 x 7 x 4
  - System Backup to Tape Drives (On Site)

- ***Infor XA will be phased out with extended support starting in 2022***
- ***No upgrade option for current system. Requires re-mapping processes, rule revisions, customizations, etc. into new ERP system.***
- ***ERP conversion will be required in 2021/2022***

Future state - Infor Next Generation:

- XA Version 10 Release in 2022
- Net Link Replaces Power Link
- Rebuild on AS400 Architecture

- Forced opportunity to re-evaluate future without AS400

Recommended solution / Next step: Assessment Needed

- Deploy One International ERP Solution
- Target as Infor Replacement in USA
- Offset Hardware Risk with 2nd Server, Cloud, or Hybrid

- Are there advantages of XA v10 hosted on AS400 architecture compared to other mainstream technologies including Infor's Syteline product family.
- Can we deploy a single ERP and leverage centralized IT support and processes and/or other efficiencies?
- Is it better short-term to focus on international ERP solution, with long-term vision for US upgrade in 3-5 years knowing Infor XA roadmap?

2. Business continuity – Janesville infrastructure

Current infrastructure in Janesville is a critical business risk, with no backup, and potential for significant business interruption due to hardware failure, flooding, and aged equipment

Infrastructure Risks (Windows Environment / aged hardware)

- Aged Hardware – 7 Physical Servers at 6+ Years
- Non-Supported OS – 4 Servers on Windows 2003
- No Plan for Hardware Recovery (15 Servers)
- Failed backups of Remote Servers at Field Offices
- Non-Company Owned Equipment on the Network
- Diffuse cyber safeguards

- Critical system dependencies hosted on aged hardware running obsolete operating systems with no plan and limited capability to recover from hardware failure.

Targeted Hosts:

- Dell VX Rail – Hyper Converged (VM, VSAN)
- EMC Data Domain – Backup Solution using Veeam

- Devices acquired but never deployed.
- Allows us to move everything to warranty supported devices
- Leverage modern day tech to provide highest uptime

Recommended solution / next steps:

- Upgrade server hardware purchased in 2017
  - MS Licensees ~ $15k
  - Consultant Work ~ $35k
- Cyber insurance

- Decommission all legacy server hardware and obsolete operating systems
- Provide redundancy to auto fail over systems in the event of a hardware issue
- SLA warranty with Dell for repair / replacement

3. Master data management – Azure analytics Datawarehouse

Hufcor's legacy AS400, and CRM data are begin integrated into the OGC "workbench" to allow for improved analytics and business reporting. Near term efforts have included an automated scheduling tool and sales dashboarding

Current Environment

- Critical business data kept in AS400, CRM, Partition Studio, and various spreadsheets (e.g. OSHA incident log)
  - AS400 does not interface with modern reporting tools like Tableau and PowerBI
  - Partition Studio 4 stores detailed data in files rather than database
  - Excel spreadsheets is saved all over the corporate network
  - Both the CRM and Partition Studio 5 keep data in a different host than the ERP

- Current environment does not enable complete visibility into the business
  - Getting data takes a significant amount of effort, making it difficult to run quick and iterative analyses aimed at answering specific questions
  - Because data is kept in various systems that do not talk to each other (i.e. between AS400, CRM, spreadsheets), it's not possible to mine them to the fullest extent. For example, right now we cannot trace a single job from quote to shipment, because quotes is kept in the CRM, but securements and production is kept in AS400
  - On-going reporting of the data using modern reporting and analytics tools like PowerBI and Tableau is not possible, leading to the proliferation of manual reports

End State Environment

- Critical data from AS400, CRM, Partition Studio to be ingested into a cloud SQL data warehouse on a daily schedule using database-to-database replication architecture
- Spreadsheets to be replaced by internal web portal for data entry directly into the database

- All critical business data all in one place, allowing them to be joined together and analyzed
- Spreadsheet data will be turned into database tables, allowing the data on them to be mined
- Data can be easily accessed through a large number of interfaces, including PowerBI and Tableau for reporting and quick analyses, and SQL Server Management Studio for complex multi-step analyses
- On-going reporting can be automated through the use of PowerBI and Tableau, minimizing manually-created reports

Next Steps

- Finalize SOW from Sirius -> 1st week of November
- Set up on-prem SQL server -> 2nd week of November
- Engage Sirius to develop ETL -> 2nd week of November
- Develop initial reports -> 3rd & 4th week of November

- Short term goal is to onboard Janesville to the Workbench and develop sales dashboards by the last week of November
- December to January will be used to further refine the reports in the workbench, in particular manufacturing and operations reports
- Additional data sources will be ingested from December onwards, this includes the development of the data entry portal that will replace Excel

3. Applications – Partition studio 5

Partition studio 5 release will be pushed to Q2 due to significant effort needed to stabilize platform and train staff

Highlights

- Combines ALL Functionality from Gen 1 and 2
- Enhancement to User Access for Security and Auditing
- Add Code Level Documentation with Error Logging
- Create System/Arch Documentation (DFD, ERD, Interfaces, etc.)
- Load Testing for Performance and Stability
- Training and Beta Release Plan

Missing Capabilities - in Development

- Data Sheets
- Materials Take Off
- Factory App

New Timeline:

- Beta Release – February 2019
- General Release – March 2019

- New timeline is needed to complete build of packaged components required to remove dependencies and duplication of manual processes that were previously planned in Gen 1 release.

Risk Avoidance

- Eliminate Double Entry into PS4 of every Job
- Finalize Testing / Validation of Price List & Costing Guide
- Resolve Potential Performance and Stability Outages

- Plan to engage 3rd party consultant to perform QA technical writing and provide code level doco and diagrams
- Capabilities to reverse engineer code base
- Consider outsourcing some development for Gen 3

6 Strategy

M&A Pipeline Update

Name	Geography	Primary Products	Est. Revenue	Est. EBITDA	Status
Early Stage Opportunities					
Lotus Walls	Australia	Opwalls	$25mm	$3mm	SD/DB to meet with them in Jan
Algaflex	France	Opwalls	$17mm	$190k	SD to meet with owner in Dec

Management Discussion of Near Term Opportunities:

Lotus

- **Meeting with management team in January**
- **Initial engagement with Lotus in 2018 indicated potential regulatory constraints in Australia to approve the merger**
- **Current assessment indicates due to >10% market share being served by foreign manufactured walls, the restriction may no longer apply**

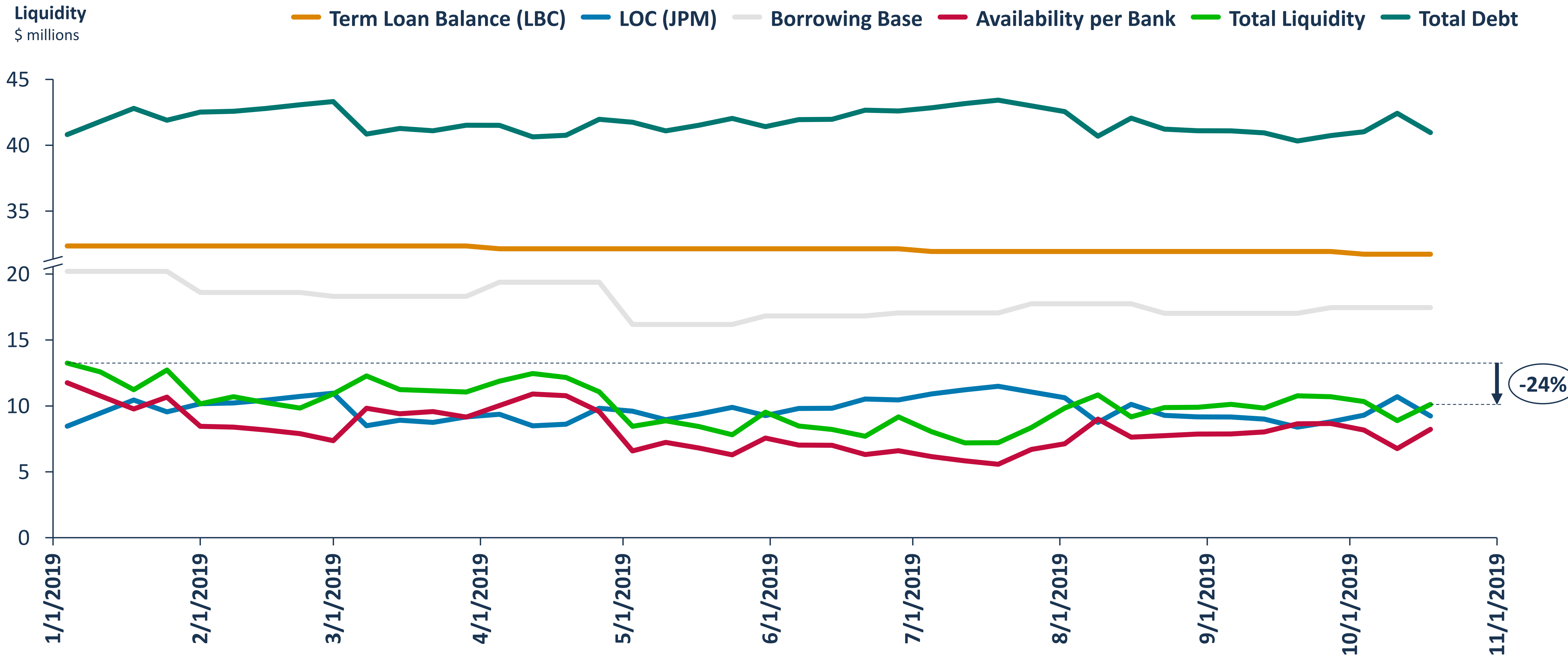
Algaflex

- **Meeting with ownership in December in France**
- **Owner is a former Hufcor licensee**
- **Initial assessment by OGC in 2018**

7 Financials

Treasury

Total liquidity is down 24% since the beginning of the year

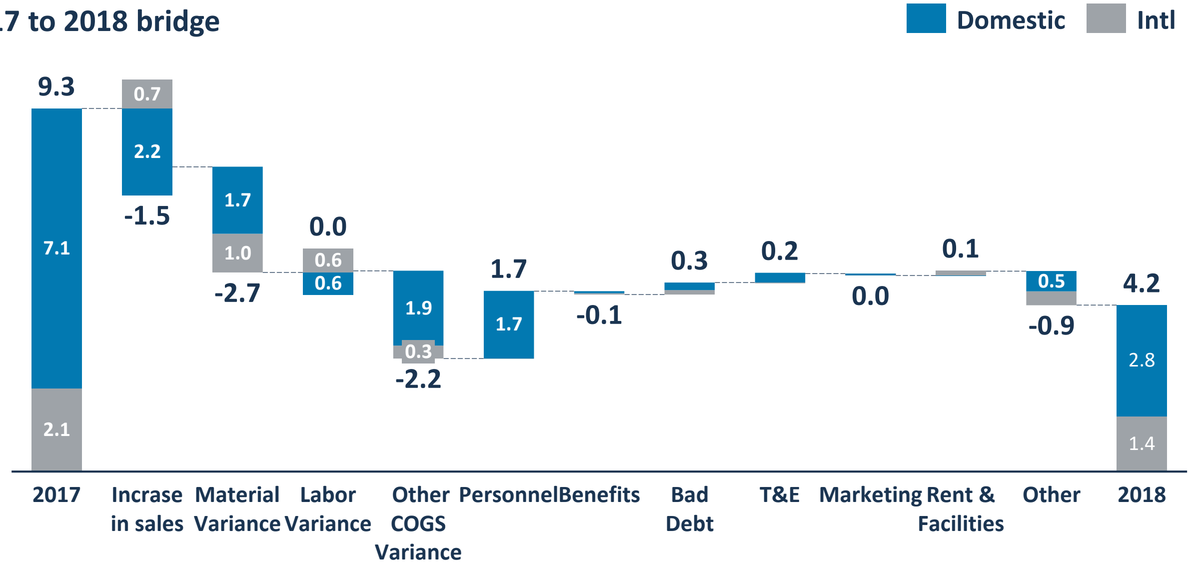


2017 to 2019 Pro Forma Bridge – International vs domestic

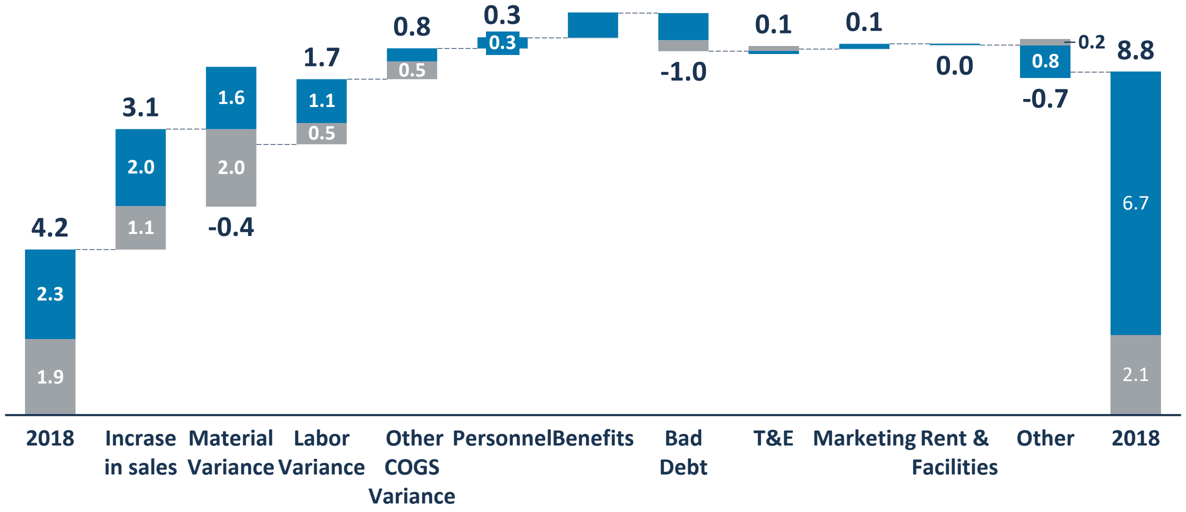
Over the last two years International has had significant material variance, analysis is underway to diagnose key issues

	September YTD					
	Domestic		International		Consolidated	
	Revenue	EBITDA	Revenue	EBITDA	Revenue	EBITDA
2017	**$ 72,340**	**$ 7,140**	**$ 32,646**	**$ 2,115**	**$ 104,987**	**$ 9,255**
Increased Sales	(7,176)	(2,214)	2,686	728	(4,490)	(1,333)
Manufacturing Change						
Material Variance		(1,711)		(985)		(2,851)
Labor Variance		(567)		610		61
Other COGS Variance		(1,907)		(331)		(2,253)
OpEx Change						
Personnel		1,724		(9)		1,716
Benefits		(50)		(34)		(84)
Bad Debt		195		112		307
T&E		249		(22)		226
Marketing		(42)		(4)		(46)
Rent & Facilities		(12)		124		111
Other		(516)		(355)		(871)
2018	**$ 65,165**	**$ 2,289**	**$ 35,332**	**$ 1,949**	**$ 100,496**	**$ 4,237**
Increased Sales	8,060	1,969	4,436	1,113	12,497	3,082
Manufacturing Change						
Material Variance		1,593		(1,982)		(391)
Labor Variance		1,121		548		1,670
Other COGS Variance		336		453		790
OpEx Change						
Personnel		284		(12)		272
Benefits		646		(15)		631
Bad Debt		(691)		(283)		(974)
T&E		(74)		127		53
Marketing		134		2		137
Rent & Facilities		(33)		(6)		(40)
Other		(844)		160		(684)
2019	**$ 73,225**	**$ 6,729**	**$ 39,768**	**$ 2,053**	**$ 112,993**	**$ 8,782**

2017 to 2018 bridge



2018 to 2019 bridge



Financial Statement Reconciliation

Balance Sheet Account Reconciliation

- As discussed previously, 15 balance sheet accounts were not properly reconciled following the termination of the previous CFO
- Team has completed a review of major accounts that required immediate attention (Cash, Accounts Receivable, Inventory, Prepaids, Intangibles, Unearned Billings, Accounts Payable and numerous Accrued Liabilities).
- Major issues identified and addressed in the September Close:
  - Accounts Receivable: $2.2 mm of bad debt reserved for in the month, with $2.0 mm of that amount one-time in nature
    - Reserve for 100% of non-retainage billings > 1 year old
    - Specific reserve for at-risk accounts (EOLE in France, Arista de Panama, others)
  - Inventory: $1.3 mm of bad debt reserved for in the month, all of which considered one-time in nature
    - Cycle count accuracy was ≈50% and numerous areas identified as scrap and slow moving
    - Patti Jordan from Beckway leading process to improve cycle count accuracy and to complete physical inventory
  - Warranty: $0.877 mm of warrant/re-work reserved for in the month, with $0.636 mm of that amount one-time in nature
    - Correction of warranty reversal in prior months by prior management
    - Current balances now account for specific reserves totaling $0.9 mm where known issues will cause additional costs to be incurred
  - Intercompany / Elimination companies: various issues due to inexperienced / unqualified staff making entries over the past few months; largely addressed
  - Domestic Subsidiaries (on QuickBooks): various issues, including A/R and Inventory (some of these have not been reconciled for years); largely addressed in items above

Recommendation is for Hufcor to restate monthly financial statements for 2019

- Confirmed reconciliations were either not completed or processes overridden from April – August
- Process to place accruals and reserves in proper months will surely require adjustments January – March as well

September 2019 P&L: Reported

$'000	MTD		Variance		PY MTD	Variance		YTD			PY YTD	
	Act	Bud	$	%	Act	$	%	Act	Bud	%	Act	%
Gross Revenue	**$ 13,171**	**$ 12,954**	**$ 217**	**1.7%**	**$ 10,780**	**$ 2,392**	**22.2%**	**$ 112,993**	**$ 110,420**	**2.3%**	**$ 100,496**	**12.4%**
Net Revenue	**13,171**	**12,954**	**217**	**1.7%**	**10,780**	**2,392**	**22.2%**	**112,993**	**110,420**	**2.3%**	**100,496**	**12.4%**
Material	6,049	4,535	1,514	33.4%	3,702	2,347	63.4%	40,958	38,881	5.3%	34,906	17.3%
Labor	3,799	3,586	213	5.9%	3,268	531	16.2%	33,446	31,482	6.2%	31,232	7.1%
Other COGS	2,100	1,003	1,097	109.3%	902	1,198	132.8%	10,609	8,886	19.4%	9,571	10.8%
Total COGS	**11,948**	**9,124**	**2,824**	**30.9%**	**7,872**	**4,076**	**51.8%**	**85,013**	**79,250**	**7.3%**	**75,710**	**12.3%**
Gross Margin	**1,224**	**3,830**	**(2,606)**	**(68.1%)**	**2,908**	**(1,684)**	**(57.9%)**	**27,980**	**31,170**	**(10.2%)**	**24,786**	**12.9%**
Gross Margin %	*9.3%*	*29.6%*			*27.0%*			*24.8%*	*28.2%*		*24.7%*	
R&D	–	–	–	N/A	–	–	N/A	–	–	N/A	–	N/A
Sales & Marketing	1,259	1,267	(8)	(0.6%)	1,082	177	16.3%	10,467	11,401	(8.2%)	10,953	(4.4%)
Administrative	3,627	995	2,632	264.5%	793	2,834	357.5%	13,010	8,954	45.3%	9,815	32.6%
Other Opex	(79)	(3)	(75)	2190.7%	(14)	(64)	444.9%	(286)	(31)	822.8%	(219)	30.7%
Total Opex	**4,806**	**2,258**	**2,548**	**112.8%**	**1,860**	**2,946**	**158.4%**	**23,191**	**20,324**	**14.1%**	**20,549**	**12.9%**
EBITDA	**(3,583)**	**1,572**	**(5,154)**	**327.9%**	**1,047**	**(4,630)**	**(442.0%)**	**4,788**	**10,846**	**55.8%**	**4,237**	**13.0%**
EBITDA %	*(27.2%)*	*12.1%*			*9.7%*			*4.2%*	*9.8%*		*4.2%*	
Net Income (Loss)	**$ (5,031)**	**$ 484**	**$ (5,515)**	**1139.1%**	**$ 222**	**$ (5,253)**	**2363.3%**	**$ (5,326)**	**$ 1,758**	**402.9%**	**$ (5,165)**	**(3.1%)**
Capex	**$ –**	**$ –**	**$ –**		**$ 17**	**$ (17)**		**$ 2,847**	**$ –**		**$ 728**	**291.0%**

$'000	MTD		Variance		PY MTD	Variance		YTD			PY YTD	
	Act	Bud	$	%	Act	$	%	Act	Bud	%	Act	%
Opex Overview:												
Payroll	$ 993	$ 1,194	$ (201)	(16.9%)	$ 1,091	$ (98)	(9.0%)	$ 9,332	$ 10,747	(13.2%)	$ 10,717	(12.9%)
Benefits	(252)	250	(503)	(200.8%)	86	(339)	(392.9%)	1,550	2,253	(31.2%)	2,181	(28.9%)
Bonus	138	112	26	23.3%	–	138	N/A	932	1,007	(7.5%)	68	1264.8%
Marketing	29	28	1	3.1%	40	(11)	(28.2%)	268	251	6.9%	405	(33.8%)
Commissions	246	191	55	28.6%	172	74	42.8%	1,639	1,719	(4.7%)	1,390	17.9%
Travel and Entertainment	112	87	25	29.0%	104	7	7.0%	862	779	10.6%	914	(5.8%)
Rent and Facilities	68	65	3	4.8%	66	2	2.4%	630	584	7.8%	590	6.7%
Insurance	82	32	50	157.6%	30	51	169.1%	368	285	29.0%	268	37.1%
Professional Fees	90	69	21	29.9%	72	18	24.7%	807	622	29.7%	944	(14.5%)
Utl., Repair, Maint., & Sec.	35	34	1	1.5%	39	(4)	(10.6%)	318	310	2.7%	325	(2.0%)
Office Expenses	9	6	3	58.7%	5	4	77.1%	53	53	0.2%	54	(2.6%)
IT	34	48	(14)	(29.4%)	51	(18)	(34.5%)	558	428	30.6%	465	20.0%
Bad Debts	2,370	12	2,359	19775.9%	18	2,353	13287.0%	2,957	107	2654.5%	(38)	(7791.3%)
Supplies	12	18	(5)	(29.6%)	12	0	1.0%	153	158	(2.6%)	192	(20.3%)
FX	–	–	–	N/A	–	–	N/A	–	–	N/A	–	N/A
Other Expenses	842	114	728	641.3%	73	769	1060.2%	2,765	1,022	170.5%	2,074	33.3%
Total Opex	**$ 4,806**	**$ 2,258**	**$ 2,548**	**112.8%**	**$ 1,860**	**$ 2,946**	**158.4%**	**$ 23,191**	**$ 20,324**	**14.1%**	**$ 20,549**	**12.9%**

Management Discussion:

Revenue

- In line with expectations given completion of larger projects

Gross Margin

- Gross margin reflects inventory and warranty reserves taken as well as timing differences in COGS recognition that will be addressed through standard cost application

OPEX

- Variance to plan driven by bad debt reserve net of all other expenses

EBITDA

- International = $0.2 mm & Domestic = ($3.8) mm.
- As adjusted for one-time expenses, International = $0.2 mm & Domestic = $0.2 mm.

Covenants Projections

Covenant Analysis- JPMC and LBC Credit Partners													
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019
$'000	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	FCST	FCST	FCST	
Fixed Charge Coverage Ratio (JP Morgan Chase- Monthly and LBC Credit Partners- Quarterly)													
Net Income (Loss)	**$ (961)**	**$ (647)**	**$ 119**	**$ (26)**	**$ (231)**	**$ 197**	**$ 510**	**$ 680**	**$ (5,031)**	**$ (209)**	**$ 140**	**$ (372)**	**$ (5,830)**
Bank EBITDA Calculation:													
Interest and amortization	344	347	358	349	98	465	546	355	396	391	393	395	4,438
Taxes	(7)	43	19	36	88	36	146	85	99	370	248	227	1,391
Depreciation and amortization	494	495	495	569	507	507	510	510	240	511	511	511	5,861
Monitoring fees (including expenses)	250	18	-	250	-	-	-	250	-	250	-	-	1,018
Gain/loss on disposition of assets	-	-	-	-	-	-	-	10	1	-	-	-	11
FX gain/loss	(6)	16	48	2	58	(44)	61	(4)	60	-	-	-	190
Non-recurring items:													
Inventory write-offs < $320k in total	-	-	-	-	-	-	-	-	320	-	-	-	320
A/R write-offs < $1.3mm in total	64	127	98	78	81	84	25	28	714	-	-	-	1,300
Warranty claim payments: Mystic Lake < 400k	-	-	-	-	-	-	-	-	75	-	-	-	75
Warranty claim payments: Non- Mystic Lake < 625k	-	-	-	-	-	-	-	-	561	-	-	-	561
Total non-recurring items	64	127	98	78	81	84	25	28	1,670	-	-	-	2,256
Bank EBITDA	**$ 178**	**$ 399**	**$ 1,189**	**$ 1,321**	**$ 601**	**$ 1,553**	**$ 1,798**	**$ 1,915**	**$ (1,420)**	**$ 1,313**	**$ 1,292**	**$ 761**	**$ 10,899**
Less:													
Unfinanced CAPEX	245	117	175	250	-	-	-	-	-	-	50	50	887
Cash income and franchise taxes	(7)	43	19	36	88	36	146	85	99	370	248	227	1,391
Cash Monitoring fees (including expenses)	-	-	-	-	-	-	-	-	-	-	-	-	-
Numerator	**$ (60)**	**$ 239**	**$ 994**	**$ 1,035**	**$ 513**	**$ 1,517**	**$ 1,652**	**$ 1,829**	**$ (1,520)**	**$ 943**	**$ 994**	**$ 484**	**$ 8,621**
Fixed Charges:													
Cash Interest	300	301	311	349	98	465	546	301	343	341	343	345	4,043
Regularly scheduled principal payments	209	-	-	209	-	-	-	-	-	209	-	-	627
Capital Lease payments	3	3	3	-	-	-	-	-	-	-	-	-	9
Total Fixed Charges	**$ 512**	**$ 304**	**$ 314**	**$ 558**	**$ 98**	**$ 465**	**$ 546**	**$ 301**	**$ 343**	**$ 550**	**$ 343**	**$ 345**	**$ 4,679**
TTM Numerator	4,390	5,329	6,086	7,604	8,512	7,335	8,901	9,635	7,081	7,442	8,124	8,621	8,621
TTM Fixed Charges	4,410	4,464	4,480	4,565	4,388	4,589	4,650	4,661	4,731	4,632	4,665	4,679	4,679
Fixed Charge Covenant Ratio	**1.00**	**1.19**	**1.36**	**1.67**	**1.94**	**1.60**	**1.91**	**2.07**	**1.50**	**1.61**	**1.74**	**1.84**	**1.84**
Required			**1.00 x**			**1.00 x**			**1.00 x**			**1.15 x**	
Leverage Ratio (LBC Credit Partners- Quarterly)													
Total Debt for Leverage Calculation	**$ 42,975**	**$ 43,739**	**$ 41,814**	**$ 41,771**	**$ 41,456**	**$ 42,744**	**$ 42,745**	**$ 41,174**	**$ 40,689**	**$ 40,480**	**$ 40,480**	**$ 40,480**	**$ 40,480**
TTM Bank EBITDA	**$ 7,009**	**$ 7,986**	**$ 8,871**	**$ 10,417**	**$ 11,188**	**$ 9,929**	**$ 11,291**	**$ 11,978**	**$ 9,510**	**$ 9,606**	**$ 10,236**	**$ 10,899**	**$ 10,899**
Leverage Ratio	**6.13**	**5.48**	**4.71**	**4.01**	**3.71**	**4.31**	**3.79**	**3.44**	**4.28**	**4.21**	**3.95**	**3.71**	**3.71**
Required			*NR			*NR			*NR			**4.75 x**	

Management Discussion:

Path to Covenant Compliance

- Assumptions outlined in the forecast reflect the 4Q goal as of today, whereby we can meet the increased production goals and avoid liquidated damages on large accounts
- Along with meeting production goals, other key assumptions which need to materialize are:
  - Receiving payment on time from large projects completed in Q3 (Gibca in particular),
  - Successfully managing AP at year end, and
  - Confirming the ability to add-back any additional items identified and written off in September close.
- Meetings with LBC and JPM next week to introduce team and discuss initial view of add-backs

8 Management and Governence

Governance

Board of Directors

- Andrew Nikou
- Paul Bridwell
- Matthias Gundlach
- Scott Dobak

Audit Committee

- Tom Gioia
- Paul Bridwell
- Shawn Haghighi

2019 Auditors

- Baker Tilly

Anonymous Hotline

- Under review

Internal control & authority matrix

- Updates for new management team

A)	Requests for waivers or out-of-the-ordinary course approvals under the Internal Control and Corporate Governance Matrix, Code of Ethics or any internal control:	None
B)	Any conflicts of interest or the appearance of any such conflict or potential conflict:	None
C)	Any actual or apparent weakness or inadequacy in the Company's policies of internal controls and financial reporting:	Addressing in Q4
D)	Any reports or complaints regarding accounting, internal accounting controls or auditing matters.	Addressed in Q3

A | Appendix

Forecasted 13-Week Cashflow – Hufcor Consolidated

Hufcor Inc.
Global Consolidated Cash Flow
$ in 000's USD

Week-Year:	*43-2019*	*44-2019*	*45-2019*	*46-2019*	*47-2019*	*48-2019*	*49-2019*	*50-2019*	*51-2019*	*52-2019*	*1-2020*	*2-2020*	*3-2020*	**13 Week**
Week End:	*25-Oct*	*1-Nov*	*8-Nov*	*15-Nov*	*22-Nov*	*29-Nov*	*6-Dec*	*13-Dec*	*20-Dec*	*27-Dec*	*3-Jan*	*10-Jan*	*17-Jan*	**TOTAL**
Forecasted Sales	2,556	5,169	2,067	2,192	2,181	5,623	2,143	2,207	2,399	2,354	4,972	3,126	3,126	40,115
Office Adjustments	298	(1,077)	(315)	(19)	230	(686)	(320)	448	812	541	(162)	(162)	(162)	(575)
Total Sales	2,854	4,092	1,752	2,174	2,412	4,937	1,823	2,655	3,210	2,894	4,810	2,964	2,964	39,540
Gross Collections	2,738	3,028	3,021	2,756	2,811	2,891	3,226	2,849	2,672	2,752	2,552	2,528	2,528	36,352
Credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Adjustments	187	(166)	(141)	(32)	419	112	(53)	(2)	61	(102)	-	-	-	283
Total Collection on Sales	2,925	2,862	2,880	2,724	3,230	3,003	3,173	2,847	2,733	2,650	2,552	2,528	2,528	36,635
Royalties	-	-	-	55	-	-	-	-	55	-	-	-	-	109
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Inflows	**2,925**	**2,862**	**2,880**	**2,779**	**3,230**	**3,003**	**3,173**	**2,847**	**2,788**	**2,650**	**2,552**	**2,528**	**2,528**	**36,744**
Materials - Disb. To Hufcor Entity	128	39	153	78	78	102	326	15	31	36	36	36	36	1,093
Materials - Disb. To Non-Hufcor Entity	939	945	889	902	913	878	944	1,022	877	813	1,167	1,167	1,167	12,622
Total Payroll & Benefits	1,310	634	1,346	740	1,216	680	1,097	843	1,162	621	1,224	600	1,224	12,700
Building	18	169	3	3	47	112	60	3	47	31	102	21	21	636
Freight	77	72	49	59	57	93	32	42	59	101	111	111	111	973
Equipment Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3rd Party Install	165	333	105	208	116	246	157	139	245	279	108	108	108	2,317
Professional Services	77	77	83	77	77	77	77	79	77	80	71	71	71	995
Other Operating Expense	293	224	252	204	227	184	218	180	217	169	104	104	104	2,478
Total Operating Disbursements	**3,006**	**2,493**	**2,879**	**2,271**	**2,731**	**2,373**	**2,910**	**2,323**	**2,714**	**2,130**	**2,924**	**2,218**	**2,842**	**33,814**
Net Operating Cash Flow	**(81)**	**369**	**1**	**508**	**499**	**631**	**263**	**524**	**74**	**520**	**(371)**	**310**	**(314)**	**2,930**
Interest Expense	-	47	-	-	-	-	48	-	-	-	1,132	-	-	1,227
Taxes	134	-	48	16	106	77	15	31	104	77	13	13	13	649
CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Non-Op	5	7	5	5	5	5	5	6	5	5	5	5	5	70
Total Non Op	139	54	53	21	111	82	68	37	109	82	1,151	19	19	1,946
Net Cash Flow	**(221)**	**315**	**(53)**	**487**	**388**	**548**	**195**	**487**	**(35)**	**437**	**(1,522)**	**291**	**(333)**	**984**

Preliminary P&L Forecast – Hufcor Consolidated as Reported

	Actual								FCST				
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Net Revenue	**10.1**	**11.1**	**11.9**	**10.8**	**13.1**	**12.4**	**16.5**	**14.0**	**13.2**	**13.5**	**13.3**	**11.0**	**150.7**
COGS	-	-	-	-	-	-	-	-	-	-	-	-	-
Material	3.2	4.2	3.7	3.1	5.5	3.6	7.2	4.5	6.0	4.5	4.2	3.6	53.3
Labor	3.5	3.3	3.7	3.3	3.7	3.9	4.3	3.9	3.8	3.8	3.4	3.5	44.1
Other COGS	1.1	1.1	1.1	1.0	1.1	1.0	0.9	1.2	2.1	1.8	2.2	1.1	15.6
Total COGS	7.8	8.6	8.6	7.3	10.3	8.6	12.3	9.7	11.9	10.0	9.8	8.1	113.0
Gross Margin	**2.3**	**2.5**	**3.3**	**3.5**	**2.8**	**3.8**	**4.2**	**4.4**	**1.2**	**3.5**	**3.4**	**2.8**	**37.7**
Gross Margin %	22.7%	22.4%	27.7%	32.2%	21.6%	30.9%	25.5%	31.1%	9.3%	26.0%	25.8%	25.8%	25.0%
Sales & marketing	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.3	1.0	1.0	1.0	13.4
Administrative	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.3	3.6	1.2	1.1	1.1	16.4
Other Opex	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	0.0	(0.0)	(0.0)	(0.1)	0.0	0.0	0.0	29.8
Total OPEX (excl D&A)	2.2	2.2	2.2	2.2	2.3	2.4	2.4	2.5	4.8	2.2	2.1	2.1	0.2
EBITDA	**0.1**	**0.3**	**1.1**	**1.2**	**0.5**	**1.5**	**1.8**	**1.9**	**(3.6)**	**1.3**	**1.3**	**0.8**	**8.2**
EBITDA Margin %	1.1%	2.4%	9.2%	11.6%	4.0%	11.8%	10.7%	13.5%	-27.2%	9.7%	9.7%	6.9%	5.4%
Depreciation	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.0
Amortization	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.1	0.3	0.3	0.3	3.9
EBIT	**(0.4)**	**(0.2)**	**0.6**	**0.7**	**0.0**	**1.0**	**1.3**	**1.4**	**(3.8)**	**0.8**	**0.8**	**0.2**	**2.3**
Interest	0.3	0.3	0.4	0.3	0.1	0.5	0.5	0.4	0.4	0.4	0.4	0.4	4.4
Other Non Ops	0.2	0.0	0.1	0.3	0.1	0.3	0.1	0.3	0.7	0.3	-	-	2.2
Taxes	(0.0)	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.4	0.2	0.2	1.4
Net Income	**(1.0)**	**(0.6)**	**0.1**	**0.0**	**(0.2)**	**0.2**	**0.5**	**0.7**	**(5.0)**	**(0.2)**	**0.1**	**(0.4)**	**(5.8)**
Net Income (Loss) %	-9.6%	-5.8%	1.0%	0.3%	-1.8%	1.6%	3.1%	4.9%	-38.2%	-1.5%	1.1%	-3.4%	-3.8%

Management Discussion:

Revenue Assumptions

- Bottoms-forecast from each division with adjustments for capacity at Janesville

Gross Profit Assumptions

- Reserves for inventory & warranty burdening P&L in Sept.
- Assuming additional costs to meet production demand in Q4

Opex

- Bad debt reserve in Sept. P&L
- Does not yet include all new hires (TBD based upon acceptance)

Preliminary Monthly Cashflow Forecast – Hufcor Consolidated

	FCST			
	Oct	Nov	Dec	Total
Net Income	(0.2)	0.1	(0.4)	(0.4)
Depreciation	0.2	0.2	0.2	0.5
Amortization	0.3	0.3	0.3	1.0
D&A	**0.5**	**0.5**	**0.5**	**1.5**
Capitalized Loan Fees	0.0	0.0	0.0	0.1
A/R	0.3	(0.7)	1.1	0.7
Inventory	(0.7)	(0.1)	0.1	(0.7)
Prepaid Expenses	0.0	0.0	0.0	0.0
Accounts Payable	0.8	0.1	(0.8)	0.1
Other Current Liabilities	(0.1)	1.5	0.4	1.8
Cash from Operating Activities	**0.6**	**1.4**	**1.0**	**3.1**
Cash Flows from Investing Activities	-	-	-	-
Cash Flows from Financing Activities				
Net proceeds (payments) on long-term del	(0.2)	-	-	(0.2)
Net Change in Cash and Cash Equivalents	**0.4**	**1.4**	**1.0**	**2.9**
Cash - Beginning	2.3	2.7	4.2	
Cash - Ending	2.7	4.2	5.2	

Management Discussion:

Timely collections of major projects

- Gibca and others
- Additional work required on AIA billing totals
- Reviewing 2020 requirements

CapEx Excludes Non-Operating

- Deferred Maintenance assumed to cover major Janesville improvements
- Reviewing additional expenditures required through 2020 as well

YTD September 2019 Income Statement – Reported & Pro Forma

HUFCOR HOLDINGS, INC. *Month Ending* 9/30/2019

INCOME STATEMENT	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act		Pro Forma	Pro Forma
				Quarter Ending				*Quarter Ending*				*Quarter Ending*	*One Time Adj.*		*Quarter Ending*
	1/31/2019	2/28/2019	3/31/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	9/30/2019		9/30/2019	9/30/2019
	1M	1M	1M	1Q	1M	1M	1M	1Q	1M	1M	1M	1Q		1M	1Q
Units produced	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Units shipped	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Bookings ($'000)	12,909	13,399	12,046	38,354	13,866	10,671	11,318	35,855	16,531	12,969	6,643	36,143		6,643	36,143
Backlog ($'000)	98,078	100,415	100,719	299,213	100,719	101,546	100,608	302,873	95,840	89,352	82,892	268,084		82,892	268,084
Gross Revenue	**$ 10,051**	**$ 11,098**	**$ 11,865**	**$ 33,014**	**$ 10,751**	**$ 13,113**	**$ 12,407**	**$ 36,271**	**$ 16,532**	**$ 14,005**	**$ 13,171**	**$ 43,709**		**$ 13,171**	**$ 43,709**
Discounts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -
Returns	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -
Rebates	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -
Other Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -
Net Revenue	**$ 10,051**	**$ 11,098**	**$ 11,865**	**$ 33,014**	**$ 10,751**	**$ 13,113**	**$ 12,407**	**$ 36,271**	**$ 16,532**	**$ 14,005**	**$ 13,171**	**$ 43,709**		**$ 13,171**	**$ 43,709**
Material	$ 3,191	$ 4,159	$ 3,724	$ 11,075	$ 3,056	$ 5,461	$ 3,611	$ 12,128	$ 7,172	$ 4,535	$ 6,049	$ 17,756	$ (1,321)	$ 4,728	$ 16,435
Labor	$ 3,460	$ 3,335	$ 3,733	$ 10,528	$ 3,255	$ 3,746	$ 3,935	$ 10,936	$ 4,259	$ 3,924	$ 3,799	$ 11,982	$ -	$ 3,799	$ 11,982
Other COGS	$ 1,119	$ 1,118	$ 1,118	$ 3,355	$ 981	$ 1,075	$ 1,027	$ 3,083	$ 880	$ 1,191	$ 2,100	$ 4,171	$ (636)	$ 1,464	$ 3,535
Total COGS	**$ 7,770**	**$ 8,612**	**$ 8,576**	**$ 24,958**	**$ 7,292**	**$ 10,282**	**$ 8,573**	**$ 26,147**	**$ 12,311**	**$ 9,650**	**$ 11,948**	**$ 33,909**	**$ (1,957)**	**$ 9,991**	**$ 31,952**
Gross Margin	**$ 2,281**	**$ 2,486**	**$ 3,289**	**$ 8,056**	**$ 3,459**	**$ 2,831**	**$ 3,834**	**$ 10,124**	**$ 4,221**	**$ 4,355**	**$ 1,224**	**$ 9,800**		**$ 3,181**	**$ 11,757**
Gross Margin %	22.7%	22.4%	27.7%	24.4%	32.2%	21.6%	30.9%	27.9%	25.5%	31.1%	9.3%	22.4%		24.1%	26.9%
R&D	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -
Sales & marketing	$ 1,068	$ 1,085	$ 1,132	$ 3,285	$ 1,192	$ 1,162	$ 1,160	$ 3,514	$ 1,233	$ 1,176	$ 1,259	$ 3,668		$ 1,259	$ 3,668
Administrative	$ 1,115	$ 1,136	$ 1,136	$ 3,388	$ 1,063	$ 1,197	$ 1,198	$ 3,458	$ 1,222	$ 1,315	$ 3,627	$ 6,164	$ (2,036)	$ 1,591	$ 4,128
Other Opex	$ (16)	$ (7)	$ (71)	$ (94)	$ (39)	$ (49)	$ 6	$ (83)	$ (7)	$ (24)	$ (79)	$ (109)		$ (79)	$ (109)
Total OPEX (excl D&A)	**$ 2,167**	**$ 2,215**	**$ 2,198**	**$ 6,579**	**$ 2,215**	**$ 2,310**	**$ 2,364**	**$ 6,889**	**$ 2,449**	**$ 2,468**	**$ 4,806**	**$ 9,723**		**$ 2,770**	**$ 7,687**
EBITDA	**$ 114**	**$ 272**	**$ 1,091**	**$ 1,477**	**$ 1,244**	**$ 521**	**$ 1,470**	**$ 3,235**	**$ 1,772**	**$ 1,887**	**$ (3,583)**	**$ 77**		**$ 411**	**$ 4,070**
EBITDA Margin %	1.1%	2.4%	9.2%	4.5%	11.6%	4.0%	11.8%	8.9%	10.7%	13.5%	-27.2%	0.2%		3.1%	9.3%

YTD September 2019 Income Statement – Reported & Pro Forma

HUFCOR HOLDINGS, INC. *Month Ending* 9/30/2019

INCOME STATEMENT	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act		Pro Forma	Pro Forma
				Quarter Ending				*Quarter Ending*				*Quarter Ending*	*One Time Adj.*		*Quarter Ending*
	1/31/2019	2/28/2019	3/31/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	9/30/2019		9/30/2019	9/30/2019
	1M	1M	1M	1Q	1M	1M	1M	1Q	1M	1M	1M	1Q		1M	1Q
Opex Overview															
Payroll	$ 1,057	$ 1,023	$ 1,004	$ 3,084	$ 863	$ 971	$ 1,128	$ 2,962	$ 1,146	$ 1,147	$ 993	$ 3,286	$ 30	$ 1,023	$ 3,316
Overtime	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Benefits	$ 239	$ 209	$ 232	$ 681	$ 247	$ 216	$ 224	$ 686	$ 224	$ 211	$ (252)	$ 183	$ 480	$ 228	$ 663
Bonus	$ 96	$ 96	$ 93	$ 285	$ 139	$ 98	$ 75	$ 312	$ 97	$ 99	$ 138	$ 334	$ (35)	$ 103	$ 299
Severance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marketing	$ 15	$ 22	$ 19	$ 56	$ 56	$ 72	$ (24)	$ 104	$ 51	$ 28	$ 29	$ 108	$ -	$ 29	$ 108
Commissions	$ 134	$ 159	$ 187	$ 480	$ 174	$ 189	$ 180	$ 543	$ 195	$ 175	$ 246	$ 616	$ -	$ 246	$ 616
Travel and Entertainment	$ 80	$ 82	$ 85	$ 247	$ 120	$ 99	$ 87	$ 306	$ 88	$ 109	$ 112	$ 308	$ -	$ 112	$ 308
Rent and Facilities	$ 68	$ 69	$ 67	$ 204	$ 75	$ 72	$ 75	$ 222	$ 71	$ 63	$ 68	$ 203	$ -	$ 68	$ 203
Insurance	$ 35	$ 43	$ 35	$ 113	$ 35	$ 34	$ 33	$ 103	$ 33	$ 37	$ 82	$ 152	$ -	$ 82	$ 152
Professional Fees	$ 78	$ 76	$ 110	$ 264	$ 100	$ 80	$ 60	$ 239	$ 108	$ 106	$ 90	$ 304	$ -	$ 90	$ 304
Utl., Repair, Maint., & Sec.	$ 28	$ 38	$ 38	$ 104	$ 38	$ 35	$ 33	$ 106	$ 36	$ 37	$ 35	$ 108	$ -	$ 35	$ 108
Office Expenses	$ 5	$ 4	$ 5	$ 14	$ 8	$ 6	$ 5	$ 19	$ 5	$ 5	$ 9	$ 20	$ -	$ 9	$ 20
Safety and Training	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
IT	$ 55	$ 58	$ 58	$ 171	$ 91	$ 72	$ 67	$ 230	$ 62	$ 61	$ 34	$ 157	$ -	$ 34	$ 157
Bad Debt	$ 64	$ 127	$ 98	$ 290	$ 78	$ 81	$ 84	$ 243	$ 25	$ 28	$ 2,370	$ 2,423	$ (2,021)	$ 350	$ 403
Supplies	$ 25	$ 10	$ 17	$ 52	$ 17	$ 22	$ 13	$ 52	$ 20	$ 17	$ 12	$ 49	$ -	$ 12	$ 49
FX	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
JV Loss (Income)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other Expenses	$ 188	$ 198	$ 147	$ 533	$ 172	$ 264	$ 324	$ 759	$ 288	$ 343	$ 842	$ 1,473	$ (491)	$ 351	$ 982
Total OPEX (excl D&A)	**$ 2,167**	**$ 2,215**	**$ 2,198**	**$ 6,579**	**$ 2,215**	**$ 2,310**	**$ 2,364**	**$ 6,889**	**$ 2,449**	**$ 2,468**	**$ 4,806**	**$ 9,723**		**$ 2,770**	**$ 7,687**
EBITDA	**$ 114**	**$ 272**	**$ 1,091**	**$ 1,477**	**$ 1,244**	**$ 521**	**$ 1,470**	**$ 3,235**	**$ 1,772**	**$ 1,887**	**$ (3,583)**	**$ 77**		**$ 411**	**$ 4,070**
EBITDA Margin %	1.1%	2.4%	9.2%	4.5%	11.6%	4.0%	11.8%	8.9%	10.7%	13.5%	-27.2%	0.2%		3.1%	9.3%
Depreciation	$ 148	$ 150	$ 150	$ 447	$ 224	$ 162	$ 161	$ 546	$ 164	$ 165	$ 157	$ 486		$ 157	$ 486
Amortization	$ 346	$ 346	$ 346	$ 1,037	$ 346	$ 346	$ 346	$ 1,037	$ 346	$ 346	$ 83	$ 774		$ 83	$ 774
Less: D&A	**$ 494**	**$ 495**	**$ 495**	**$ 1,484**	**$ 569**	**$ 507**	**$ 507**	**$ 1,583**	**$ 510**	**$ 510**	**$ 240**	**$ 1,261**		**$ 240**	**$ 1,261**
EBIT, reported	**$ (380)**	**$ (224)**	**$ 596**	**$ (8)**	**$ 675**	**$ 14**	**$ 963**	**$ 1,652**	**$ 1,262**	**$ 1,376**	**$ (3,823)**	**$ (1,184)**		**$ 170**	**$ 2,809**
Interest and financial amortization	$ 344	$ 347	$ 358	$ 1,049	$ 349	$ 98	$ 465	$ 913	$ 546	$ 355	$ 396	$ 1,297		$ 396	$ 1,297
Other financial income/expense (e.g. fx	$ (6)	$ 16	$ 48	$ 57	$ 2	$ 58	$ (44)	$ 17	$ 61	$ 6	$ 60	$ 126		$ 60	$ 126
Non-financial income/expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -
Monitoring fees	$ 250	$ 18	$ -	$ 268	$ 250	$ -	$ -	$ 250	$ -	$ 250	$ -	$ 250		$ -	$ 250
Restructuring costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -
Non-recurring items	$ -	$ -	$ 51	$ 51	$ -	$ -	$ 308	$ 308	$ -	$ -	$ 652	$ 652		$ 652	$ 652
EBT, reported	**$ (968)**	**$ (604)**	**$ 139**	**$ (1,433)**	**$ 73**	**$ (143)**	**$ 234**	**$ 164**	**$ 656**	**$ 765**	**$ (4,931)**	**$ (3,510)**		**$ (938)**	**$ 483**
Taxes	$ (7)	$ 43	$ 19	$ 56	$ 36	$ 88	$ 36	$ 161	$ 146	$ 85	$ 99	$ 331		$ 99	$ 331
Net Income (Loss)	**$ (961)**	**$ (647)**	**$ 119**	**$ (1,489)**	**$ 37**	**$ (231)**	**$ 197**	**$ 3**	**$ 510**	**$ 680**	**$ (5,031)**	**$ (3,840)**		**$ (1,037)**	**$ 153**
Net Income (Loss) %	-9.6%	-5.8%	1.0%	-4.5%	0.3%	-1.8%	1.6%	0.0%	3.1%	4.9%	-38.2%	-8.8%		-7.9%	0.3%

YTD September 2019 Balance Sheet - Reported

HUFCOR HOLDINGS, INC.

BALANCE SHEET	Act	Act	Act	Act	Act	Act	Act	Act	Act
	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019
	1M	1M	1M	1M	1M	1M	1M	1M	1M
Current Assets									
Cash and cash equivalents	$ 2,930	$ 2,754	$ 1,577	$ 1,521	$ 1,561	$ 3,263	$ 5,174	$ 1,253	$ 2,322
Short term investments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts receivable, gross	$ 35,130	$ 36,910	$ 34,436	$ 33,243	$ 34,172	$ 36,345	$ 40,607	$ 40,275	$ 39,568
Accounts receivable, reserves	$ (1,455)	$ (1,545)	$ (1,629)	$ (1,679)	$ (1,746)	$ (1,836)	$ (1,851)	$ (1,854)	$ (4,238)
Accounts receivable, net	$ 33,675	$ 35,365	$ 32,807	$ 31,564	$ 32,426	$ 34,509	$ 38,755	$ 38,421	$ 35,330
Inventory, gross	$ 14,553	$ 15,308	$ 15,388	$ 16,303	$ 16,774	$ 18,889	$ 16,352	$ 16,262	$ 16,457
Inventory, reserves	$ (243)	$ (253)	$ (264)	$ (274)	$ (282)	$ (195)	$ (203)	$ (209)	$ (1,534)
Inventory, net	$ 14,310	$ 15,055	$ 15,124	$ 16,028	$ 16,493	$ 18,695	$ 16,149	$ 16,053	$ 14,923
Prepaid expenses and other current assets	$ 1,832	$ 1,728	$ 1,591	$ 1,529	$ 1,476	$ 1,338	$ 1,256	$ 1,400	$ 1,678
Current portion of deferred taxes	$ 5,612	$ 5,579	$ 5,583	$ 5,568	$ 5,263	$ 5,280	$ 5,254	$ 5,227	$ 5,229
Revenue in excess of billings	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other current assets	$ 285	$ 331	$ 222	$ 318	$ 323	$ 397	$ 365	$ 374	$ 407
Total Current Assets	**$ 58,644**	**$ 60,813**	**$ 56,904**	**$ 56,528**	**$ 57,542**	**$ 63,482**	**$ 66,954**	**$ 62,729**	**$ 59,889**
Non-Current Assets									
Property, plant & equipment, gross	$ 36,688	$ 37,895	$ 38,006	$ 38,147	$ 38,088	$ 38,362	$ 38,604	$ 38,643	$ 39,466
Accumulated depreciation	$ (23,108)	$ (23,208)	$ (23,334)	$ (23,515)	$ (23,601)	$ (23,838)	$ (23,927)	$ (23,934)	$ (24,057)
Property, plant & equipment, net	$ 13,580	$ 14,687	$ 14,673	$ 14,632	$ 14,487	$ 14,524	$ 14,677	$ 14,708	$ 15,409
Goodwill	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Identifiable intangible assets, gross	$ 15,247	$ 15,236	$ 15,238	$ 15,233	$ 15,227	$ 15,233	$ 15,225	$ 15,216	$ 15,217
Accumulated amortization	$ (5,870)	$ (6,215)	$ (6,561)	$ (6,906)	$ (7,251)	$ (7,597)	$ (7,942)	$ (8,287)	$ (8,370)
Identifiable intangible assets, net	$ 9,377	$ 9,022	$ 8,677	$ 8,327	$ 7,976	$ 7,636	$ 7,283	$ 6,929	$ 6,847
Deferred financing cost	$ 1,906	$ 1,955	$ 1,908	$ 1,862	$ 1,950	$ 1,900	$ 1,850	$ 1,935	$ 1,893
Deferred tax asset	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other non-current assets	$ 3,723	$ 2,705	$ 2,703	$ 2,697	$ 2,693	$ 2,697	$ 2,697	$ 2,409	$ 1,642
Total Non-Current Assets	**$ 28,585**	**$ 28,368**	**$ 27,961**	**$ 27,518**	**$ 27,106**	**$ 26,756**	**$ 26,507**	**$ 25,981**	**$ 25,791**
Total Assets	**$ 87,230**	**$ 89,181**	**$ 84,864**	**$ 84,046**	**$ 84,648**	**$ 90,238**	**$ 93,461**	**$ 88,710**	**$ 85,680**

HUFCOR HOLDINGS, INC.

BALANCE SHEET	Act	Act	Act	Act	Act	Act	Act	Act	Act
	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019
	1M	1M	1M	1M	1M	1M	1M	1M	1M
Current Liabilities									
Current portion of long-term debt	$ 1,250	$ 835	$ 835	$ 835	$ 835	$ 835	$ 835	$ 835	$ 835
Line of Credit	$ 10,203	$ 11,382	$ 9,458	$ 9,623	$ 9,308	$ 10,596	$ 10,806	$ 9,235	$ 8,750
Accounts payable	$ 12,385	$ 12,453	$ 10,618	$ 15,884	$ 15,798	$ 16,614	$ 18,668	$ 11,269	$ 11,758
Accrued liabilities	$ 6,054	$ 6,682	$ 6,363	$ 962	$ 2,508	$ 5,564	$ 5,231	$ 9,961	$ 10,405
Accrued compensation	$ 1,508	$ 1,551	$ 1,662	$ 1,461	$ 1,364	$ 1,970	$ 2,254	$ 1,598	$ 2,187
Income taxes payable	$ 83	$ 113	$ 129	$ 146	$ 188	$ 246	$ 384	$ 375	$ 442
Short-term unearned revenue	$ -	$ 861	$ 456	$ 79	$ 79	$ 66	$ 66	$ 66	$ -
Other current liabilities	$ 2,630	$ 2,911	$ 2,895	$ 2,905	$ 2,957	$ 3,075	$ 2,963	$ 2,648	$ 3,657
Total Current Liabilities	**$ 34,112**	**$ 36,789**	**$ 32,416**	**$ 31,895**	**$ 33,037**	**$ 38,965**	**$ 41,207**	**$ 35,988**	**$ 38,034**
Long-term liabilities									
Long-term debt less current maturities	$ 31,521	$ 31,521	$ 31,521	$ 31,313	$ 31,313	$ 31,313	$ 31,104	$ 31,104	$ 31,104
Capital lease	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt owing to OpenGate	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred income taxes	$ 47	$ 68	$ 96	$ 95	$ 94	$ 95	$ 95	$ 93	$ 30
Long-term unearned revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other non-current liabilities	$ 48	$ 47	$ (111)	$ 46	$ 46	$ (653)	$ 45	$ 44	$ 44
Total Long-Term Liabilities	**$ 31,616**	**$ 31,636**	**$ 31,507**	**$ 31,454**	**$ 31,452**	**$ 30,755**	**$ 31,244**	**$ 31,241**	**$ 31,178**
Total Liabilities	**$ 65,728**	**$ 68,425**	**$ 63,923**	**$ 63,349**	**$ 64,489**	**$ 69,720**	**$ 72,452**	**$ 67,229**	**$ 69,212**
Commitments and contingencies	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Shareholders' Equity									
Common stock	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Preferred stock	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Capital in excess of stated value	$ 36,350	$ 36,350	$ 36,350	$ 36,350	$ 36,350	$ 36,350	$ 36,350	$ 36,350	$ 36,350
Retained earnings	$ (14,999)	$ (15,646)	$ (15,377)	$ (15,544)	$ (16,069)	$ (15,872)	$ (15,362)	$ (14,682)	$ (19,713)
Accumulated other comprehensive income	$ 512	$ 512	$ 521	$ 518	$ 519	$ 522	$ 521	$ 516	$ 517
Other equity transactions	$ (361)	$ (460)	$ (553)	$ (627)	$ (641)	$ (482)	$ (499)	$ (704)	$ (686)
Total Shareholders' Equity	**$ 21,501**	**$ 20,756**	**$ 20,942**	**$ 20,697**	**$ 20,158**	**$ 20,518**	**$ 21,009**	**$ 21,480**	**$ 16,469**
Total Liabilities and Shareholders' Equity	**$ 87,230**	**$ 89,181**	**$ 84,864**	**$ 84,046**	**$ 84,648**	**$ 90,238**	**$ 93,461**	**$ 88,710**	**$ 85,680**

YTD September 2019 Cashflow Statement - Reported

HUFCOR HOLDINGS, INC. *Month Ending* 9/30/2019

Cashflow Statement	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act	Act
				Quarter Ending				*Quarter Ending*				*Quarter Ending*
	1/31/2019	2/28/2019	3/31/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	9/30/2019
	1M	1M	1M	1Q	1M	1M	1M	1Q	1M	1M	1M	1Q
Cash flow from operations												
Net Income (Loss)	$ (961)	$ (647)	$ 119	$ (1,489)	$ 37	$ (231)	$ 197	$ 3	$ 510	$ 680	$ (5,031)	$ (3,840)
Depreciation, amortization and other	$ 494	$ 495	$ 495	$ 1,484	$ 569	$ 507	$ 507	$ 1,583	$ 510	$ 510	$ 240	$ 1,261
Capitalized fees & expenses	$ (44)	$ 49	$ (47)	$ (42)	$ (47)	$ 88	$ (50)	$ (8)	$ (50)	$ 85	$ 42	$ 77
Gain (loss) on sale of fixed assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10	$ 1	$ 11
Non-cash interest expense	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-cash dividends	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Deferred income tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 0	$ (2)	$ (63)	$ (65)
Change in operating assets and liabilities:												
Accounts receivable	$ 1,774	$ (1,737)	$ 2,667	$ 2,704	$ 1,147	$ (867)	$ (2,157)	$ (1,876)	$ (4,215)	$ 326	$ 3,058	$ (831)
Inventory	$ (1,216)	$ (745)	$ (69)	$ (2,029)	$ (905)	$ (464)	$ (2,202)	$ (3,571)	$ 2,546	$ 95	$ 1,130	$ 3,772
Prepaid expenses and other current assets	$ (123)	$ 119	$ 140	$ 135	$ 27	$ 233	$ 35	$ 295	$ 104	$ (296)	$ (228)	$ (420)
Accounts payable	$ (1,213)	$ 322	$ (1,920)	$ (2,810)	$ 5,242	$ (134)	$ 889	$ 5,997	$ 2,348	$ (7,688)	$ 579	$ (4,761)
Accrued expenses	$ (806)	$ 1,596	$ (550)	$ 239	$ (5,936)	$ 1,594	$ 3,714	$ (628)	$ (312)	$ 4,036	$ 1,941	$ 5,665
Accrued income taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other changes in operating assets and liat	$ (142)	$ (89)	$ 107	$ (124)	$ 65	$ (424)	$ (577)	$ (936)	$ 690	$ 364	$ 725	$ 1,779
Other cash flow from operations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow from Operations	**$ (2,238)**	**$ (636)**	**$ 943**	**$ (1,932)**	**$ 200**	**$ 302**	**$ 356**	**$ 859**	**$ 2,132**	**$ (1,880)**	**$ 2,394**	**$ 2,647**
Cash flow from investing												
Additions to property, plant and equipment	$ (245)	$ (186)	$ (111)	$ (542)	$ (141)	$ 59	$ (274)	$ (356)	$ (242)	$ (39)	$ (858)	$ (1,139)
Acquisitions of companies, net of cash acqu	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment in intangibles	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Earnout payments	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other cash flow from investing (goodwill)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Cash Flow from Investing	**$ (245)**	**$ (186)**	**$ (111)**	**$ (542)**	**$ (141)**	**$ 59**	**$ (274)**	**$ (356)**	**$ (242)**	**$ (39)**	**$ (858)**	**$ (1,139)**
Cash flow from financing												
Proceeds from the issuance (repayment) of s	$ 2,786	$ 764	$ (1,925)	$ 1,625	$ 166	$ (315)	$ 1,288	$ 1,138	$ 210	$ (1,571)	$ (485)	$ (1,846)
Proceeds from the issuance of debt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Repayment of debt	$ (209)	$ -	$ -	$ (209)	$ (209)	$ -	$ -	$ (209)	$ (209)	$ -	$ -	$ (209)
Capital lease	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Common stock issued (repurchased)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Common stock cash dividends paid	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Preferred stock issued (repurchased)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other cash flow from financing costs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (19)	$ (208)	$ (2)	$ (229)
Total Cash Flow from Financing	**$ 2,577**	**$ 764**	**$ (1,925)**	**$ 1,416**	**$ (43)**	**$ (315)**	**$ 1,288**	**$ 930**	**$ (18)**	**$ (1,779)**	**$ (487)**	**$ (2,284)**
Effect of FX rates on cash and cash equivalents	**$ 80**	**$ (117)**	**$ (85)**	**$ (122)**	**$ (73)**	**$ (8)**	**$ 332**	**$ 251**	**$ (32)**	**$ (223)**	**$ 19**	**$ (236)**
Net change in cash	$ 173	$ (175)	$ (1,178)	$ (1,179)	$ (57)	$ 38	$ 1,702	$ 1,684	$ 1,840	$ (3,920)	$ 1,069	$ (1,011)
Beginning cash	$ 2,668	$ 2,930	$ 2,754	$ 2,668	$ 1,577	$ 1,521	$ 1,561	$ 1,577	$ 3,263	$ 5,174	$ 1,253	$ 3,263
Change in cash	$ 173	$ (175)	$ (1,178)	$ (1,179)	$ (57)	$ 38	$ 1,702	$ 1,684	$ 1,840	$ (3,920)	$ 1,069	$ (1,011)
Ending cash	**$ 2,841**	**$ 2,755**	**$ 1,577**	**$ 1,488**	**$ 1,520**	**$ 1,559**	**$ 3,263**	**$ 3,261**	**$ 5,103**	**$ 1,254**	**$ 2,322**	**$ 2,252**

AP/AR aging

$ '000

AR Aging							
Days	**Dec-18**	**%**	**Jun-19**	**Jul-19**	**Aug-19**	**Sep-19**	**%**
0-30	$ 16,376	*44.4%*	$ 19,756	$ 23,462	$ 23,278	$ 22,168	*56.2%*
31-60	5,342	*14.5%*	2,911	3,482	3,880	4,460	*11.3%*
61-90	3,176	*8.6%*	2,606	2,308	2,131	2,430	*6.2%*
>90	11,985	*32.5%*	11,072	11,355	10,986	10,375	*26.3%*
Total Gross AR	**$ 36,879**	***100.0%***	**$ 36,345**	**$ 40,607**	**$ 40,275**	**$ 39,432**	***100.0%***
Reserves	(1,407)		(1,836)	(1,851)	(1,854)		
Total Net AR	**$ 35,472**		**$ 34,509**	**$ 38,756**	**$ 38,421**	**$ 39,432**	
Change in AR Reserve			(90)	(15)	(2)	(2,385)	
Actual Bad Debt P&L Charge			84	25	28	2,370	
LTM Bad Debt P&L Charge			**$ 776**	**$ 780**	**$ 785**	**$ 3,335**	

AP Aging							
Days	**Dec-18**	**%**	**Jun-19**	**Jul-19**	**Aug-19**	**Sep-19**	**%**
0-30	$ 10,682	*79.0%*	$ 14,225	$ 15,061	$ 8,107	$ 9,621	*73.6%*
31-60	1,234	*9.1%*	936	1,291	695	1,119	*8.6%*
61-90	343	*2.5%*	435	268	145	33	*0.3%*
>90	1,268	*9.4%*	1,018	2,048	2,322	2,296	*17.6%*
Total	**$ 13,527**	***100.0%***	**$ 16,614**	**$ 18,668**	**$ 11,269**	**$ 13,069**	***100.0%***

Management Discussion:

Accounts Receivable

- Increase in current AR through Sept driven by billings for Dubai & New Zealand
- Retainage listed at $5.9 mm
  - $4.0 mm of Domestic Retainage
  - $1.9 mm of International Retainage
- Reserves of $2.314 mm taken in September (of which $2.0 considered one-time)

Accounts Payable

- $5.2 mm adjusting entry made in August to correct multiple errors made in the intercompany accounts that had incorrectly over-stated AP by $5.2 mm from April - July
- A/P > 90 consists of OpenGate management fees and other fees delivered late
- Excluding aged fees, DPO to broader vendor group ≈36 as of September 30th