

**WORLD TRANSLOAD AND LOGISTICS, LLC,  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**March 31, 2015**



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**WORLD TRANSLOAD AND LOGISTICS, LLC, AND SUBSIDIARIES**  
**March 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Members  
World Transload and Logistics, LLC and Subsidiaries  
New Hope, Minnesota

We have audited the accompanying consolidated financial statements of World Transload and Logistics, LLC and Subsidiaries (a Minnesota Limited Liability Corporation), which comprise the consolidated balance sheet as of March 31, 2015, and the related consolidated statements of income and membership interest, and cash flows for the period from May 23, 2014 to March 31, 2015, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Transload and Logistics, LLC and Subsidiaries as of March 31, 2015, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

*Grubbing Anderson Ltd.*

Minneapolis, Minnesota  
April 29, 2015

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015**

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**March 31, 2015**

**ASSETS**

**CURRENT ASSETS**

|                                    |                   |
|------------------------------------|-------------------|
| Cash                               | \$ 3,775,664      |
| Accounts receivable - trade        | 2,543,881         |
| Interest receivable                | 122,493           |
| Other receivables                  | 58,840            |
| Current portion of note receivable | 777,778           |
| Inventory, net                     | 4,256,464         |
| Prepaid expenses                   | 92,669            |
| Prepaid income taxes               | 2,842             |
| Deferred income tax asset          | <u>585,000</u>    |
| <b>Total Current Assets</b>        | <b>12,215,631</b> |

**PROPERTY AND EQUIPMENT**

|                                       |                    |
|---------------------------------------|--------------------|
| Land                                  | 802,468            |
| Building                              | 6,721,820          |
| Leasehold improvements                | 523,617            |
| Office furniture and equipment        | 74,957             |
| Warehouse and manufacturing equipment | 6,360,285          |
| Vehicles                              | <u>274,390</u>     |
|                                       | 14,757,537         |
| Less: accumulated depreciation        | <u>(7,387,618)</u> |
| <b>Property and Equipment, Net</b>    | <b>7,369,919</b>   |

**OTHER ASSETS**

|                           |                                    |
|---------------------------|------------------------------------|
| Security deposits         | 20,912                             |
| Note receivable           | <u>6,222,222</u>                   |
| <b>Total Other Assets</b> | <b>6,243,134</b>                   |
| <b>Total Assets</b>       | <b><u><u>\$ 25,828,684</u></u></b> |

See Accompanying Notes to Consolidated Financial Statements

## LIABILITIES AND MEMBERSHIP INTEREST

### CURRENT LIABILITIES

|                                   |                  |
|-----------------------------------|------------------|
| Current portion of long-term debt | \$ 128,818       |
| Accounts payable - trade          | 1,347,025        |
| Accrued expenses                  | 421,650          |
| Accrued interest                  | 1,365,410        |
| Customer deposits                 | <u>65,619</u>    |
| <b>Total Current Liabilities</b>  | <b>3,328,522</b> |

### LONG-TERM LIABILITIES

|                                    |                          |
|------------------------------------|--------------------------|
| Long-term debt                     | 12,635,182               |
| Deferred income tax liability      | <u>22,400</u>            |
| <b>Total Long-Term Liabilities</b> | <b><u>12,657,582</u></b> |
| <b>Total Liabilities</b>           | <b>15,986,104</b>        |

### MEMBERSHIP INTEREST

|  |                                    |
|--|------------------------------------|
|  | <u>9,842,580</u>                   |
| <b>Total Liabilities and Membership Interest</b> | <b><u><u>\$ 25,828,684</u></u></b> |

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME AND MEMBERSHIP INTEREST**  
For the Period from May 23, 2014 to March 31, 2015

|   | <b>Amount</b> | <b>Percent<br/>of<br/>Sales</b> |   |
|---|---------------|---------------------------------|---|
| <b>SALES</b>  | \$ 13,772,875 | 100.00                          | % |
| <b>COST OF SALES</b>                                    | 10,463,158    | 75.97                           |   |
| <b>GROSS PROFIT</b>                                     | 3,309,717     | 24.03                           |   |
| <b>SELLING, GENERAL AND<br/>ADMINISTRATIVE EXPENSES</b> | 2,569,665     | 18.66                           |   |
| <b>OPERATING INCOME</b>                                 | 740,052       | 5.37                            |   |
| <b>OTHER INCOME (EXPENSE)</b>                           |               |                                 |   |
| Interest income   | 122,711       | 0.89                            |   |
| Interest expense  | (593,217)     | (4.31)                          |   |
| Rental income   | 28,281        | 0.21                            |   |
| Scrap income  | 243,267       | 1.77                            |   |
| Miscellaneous income                                    | 38,444        | 0.28                            |   |
| <b>TOTAL OTHER EXPENSE</b>                              | (160,514)     | (1.16)                          |   |
| <b>INCOME TAX BENEFIT</b>                               | (563,042)     | (4.09)                          |   |
| <b>NET INCOME</b>                                       | 1,142,580     | 8.30                            | % |
| <b>MEMBERSHIP INTEREST</b>                              |               |                                 |   |
| <b>BEGINNING OF PERIOD</b>                              | 8,700,000     |                                 |   |
| <b>END OF PERIOD</b>                                    | \$ 9,842,580  |                                 |   |

See Accompanying Notes to Consolidated Financial Statements



**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Period from May 23, 2014 to March 31, 2015

|  |                            |
|--|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                            |
| Net income   | \$ 1,142,580               |
| Adjustments to reconcile net income to net cash flows from operating activities: |                            |
| Deferred income taxes  | (562,600)                  |
| Depreciation   | 574,621                    |
| Amortization   | 26                         |
| Loss on disposal of property and equipment                                       | 16,215                     |
| Changes in assets and liabilities:   |                            |
| Accounts receivable - trade  | (40,348)                   |
| Interest receivable  | (122,493)                  |
| Other receivables  | 84,361                     |
| Inventory  | 676,148                    |
| Prepaid expenses   | (4,231)                    |
| Security deposits  | 18,359                     |
| Accounts payable - trade   | 380,686                    |
| Accrued expenses   | 219,408                    |
| Accrued interest   | 93,096                     |
| Customer deposits  | (201,330)                  |
| Income taxes payable   | -                          |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  | <u>2,274,498</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                            |
| Purchase of property and equipment   | (121,216)                  |
| Net proceeds received from sale of subsidiary                                    | 464,769                    |
| Proceeds from sale of property and equipment                                     | 162,989                    |
| <b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  | <u>506,542</u>             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                            |
| Payments on notes payable  | (670)                      |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>                                  | <u>(670)</u>               |
| <b>NET CHANGE IN CASH</b>  | <u>2,780,370</u>           |
| <b>CASH - BEGINNING OF PERIOD</b>  | <u>995,294</u>             |
| <b>CASH - END OF PERIOD</b>  | <u><u>\$ 3,775,664</u></u> |

See Accompanying Notes to Consolidated Financial Statements

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW  
INFORMATION**

Cash paid during the period for:

Interest

\$ 500,121

Income taxes

\$ 2,400

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Business Activity**

World Transload and Logistics, LLC (“WTL”) and its wholly owned subsidiaries Tube Technologies, Inc., Helical Anchors, Inc., and Drill Pipe International, LLC (collectively referred to herein as the “Company”) manufacture down hole tools for the water well, construction, mining, environmental, gas, oil, and utility construction industries, to customers located throughout the world. The Company also manufactures helical construction anchors for the utility and construction industries to customers located throughout the world. On May 22, 2014, WTL sold Drill Pipe International, LLC to an unrelated party. See Note 9 for details of the transaction. On May 22, 2014, the membership units of the Company were sold to a third party. See Note 10. As a result of the sales, a change in reporting entity and change in fiscal year from December 31 to March 31 occurred.

**Principles of Consolidation**

GAAP requires certain Variable Interest Entities (VIEs) to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The consolidated financial statements include the accounts of World Transload and Logistics, LLC, its wholly owned subsidiaries Tube Technologies, Inc., and Helical Anchors, Inc., and two VIEs; 5101 Boone, LLP (“5101 BOONE”) and Boone Real Property Holding, LLC, from which the Company leases a building. All significant intercompany balances, transactions, and profits have been eliminated in consolidation.

**Use of Estimates in Consolidated Financial Statements**

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash**

The Company considers deposits that can be redeemed on demand and investments that have original maturities of less than three months when purchased to be cash equivalents. The Company maintains its cash in bank accounts with quality financial institutions that may at times exceed federally insured limits. To date, the Company has not experienced any losses in such accounts.

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable**

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectibility of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic trends, and changes in customer payment terms. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An allowance account has not been provided in the accompanying financial statements because management believes that all accounts receivable are collectable.

**Inventories**

Inventories are valued at average cost, which approximates the first-in, first-out (FIFO) method, including provisions for obsolescence commensurate with known or estimated exposures.

**Property and Equipment**

Property and equipment are carried at cost. Expenditures for major renewals and betterments, which substantially increase the useful lives of existing assets, are capitalized. Maintenance and repairs are charged to expense as incurred.

The Company provides for depreciation of property and equipment utilizing the straight-line and accelerated methods for financial reporting purposes at rates based on the following useful lives:

|                                       |               |
|---------------------------------------|---------------|
| Buildings and leasehold improvements  | 7 to 39 Years |
| Office furniture and equipment        | 3 to 10 Years |
| Warehouse and manufacturing equipment | 3 to 20 Years |
| Vehicles                              | 5 Years       |

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Advertising Costs**

Advertising costs are expensed as incurred. The advertising costs charged to expense for the year ended March 31, 2015 was \$17,041.

**Shipping and Handling Costs**

Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the Company have been included in cost of goods sold.

**Sales Tax**

The Company collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

**Income Taxes**

Prior to the sale of the membership units of WTL and 5101 BOONE, WTL was taxed under the provisions of Subchapter S of the Internal Revenue Code and 5101 BOONE was taxed as a partnership. Due to the sale of the membership of WTL and 5101 BOONE, each will be taxed as a C-corporation effective May 23, 2014. See Note 10 for details of the sale of the membership units. The Company accounts for its income taxes using generally accepted accounting principles, which requires the establishment of deferred taxes for differences between financial statement and tax reporting purposes. As such, the Company's provision for income taxes is based on the asset and liability method of accounting whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Boone Real Property Holding, LLC is a disregarded entity for tax purposes as a single member LLC fully owned by WTL.

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes (continued)**

Management of the Company considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before . The Company classifies income tax related interest and penalties in income tax expense, when incurred. There were no income tax related interest or penalties to be accrued at March 31, 2015.

**Subsequent Events**

Management evaluates events occurring subsequent to the date of the consolidated balance sheet in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through April 29, 2015, which is the date the consolidated financial statements were available to be issued.

**NOTE 2 – INVENTORY**

As of March 31, 2015, inventory consisted of the following:

|                 |                     |
|-----------------|---------------------|
| Raw materials   | \$ 3,390,950        |
| Work in process | 482,344             |
| Finished goods  | 383,170             |
|                 | <u>\$ 4,256,464</u> |

The Company evaluates the inventory purchased in the normal course of business and that was in existence prior to the ownership change as of May 23, 2014 for obsolescence and slow-moving items. Inventory is carried on the accompanying financial statements net of reserves totaling \$1,533,821 and \$2,017,495 at March 31, 2015 and May 23, 2014.

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 3 – LONG-TERM DEBT**

As of March 31, 2015, long-term debt consisted of the following:

Mortgage payable to a finance company due in semi-annual interest payments at 6% over one year LIBOR rate (6.68% at March 31, 2015) from 2013 through 2015, and semi-annual principal and interest payments of \$951,296 starting in 2016; due December 2017. This note is secured by the mortgage of the real estate of 5101 Boone, LLP, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory. \$ 3,500,000

Note payable to a finance company due in semi-annual interest payments at 6% over one year LIBOR rate (6.68% at March 31, 2015) from 2013 through 2015, semi-annual principal and interest payments of \$814,815 starting in 2016; due December 2017. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory. 3,000,000

Note payable to a finance company due in semi-annual interest payments at 6% over one year LIBOR rate from 2014 through 2015 (6.68% at March 31, 2015), semi-annual principal and interest payments of \$111,955 starting in 2016; due December 2019. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory. 3,264,000

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 3 – LONG-TERM DEBT (continued)**

Note payable to a finance company due in semi-annual installments of 2% interest only through 2015; \$163,118 semi-annual interest and principal payments in 2016 including interest at 6% over one year LIBOR rate; due January 2019. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory. \$ 1,000,000

Note payable to a finance company due in semi-annual installments of 2% interest only through 2015; \$326,235 semi-annual interest and principal payments in 2016 including interest at 6% over one year LIBOR rate; due April 2019. This note is secured by equipment, a pledge of the members' membership units, and an interest in the Company's accounts receivable and inventory. 2,000,000

|                       |               |
|-----------------------|---------------|
| Total long-term debt  | 12,764,000    |
| Less: current portion | (128,818)     |
| Net Long-Term Debt    | \$ 12,635,182 |

Annual maturities of long-term debt, as of March 31, 2015, are as follows:

|                            |               |
|----------------------------|---------------|
| Year ending March 31, 2016 | \$ 128,818    |
| 2017                       | 4,671,407     |
| 2018                       | 4,996,462     |
| 2019                       | 1,751,580     |
| 2020                       | 1,215,733     |
|                            | \$ 12,764,000 |



**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 4 – INCOME TAXES**

The provision for income taxes consists of the following components for the years ended March 31, 2015:

|                                  |                     |
|----------------------------------|---------------------|
| Current:                         |                     |
| Federal                          | \$ 2,265            |
| Minnesota                        | <u>(2,707)</u>      |
|                                  | (442)               |
| Deferred:                        |                     |
| Federal                          | (553,436)           |
| Minnesota                        | <u>(9,164)</u>      |
| Total provision for income taxes | <u>\$ (563,042)</u> |

The deferred tax asset and liability balances are primarily a result of the differences in net book value of depreciable and amortizable assets and inventory reserves. Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors including the Company's ability to generate taxable income. Management believes that, at a minimum, it is more likely than not that future taxable income will be sufficient to realize the recorded assets.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

The Company is subject to occasional lawsuits and claims with respect to matters such as product performance arising out of the normal course of business. While the impact on future financial results is not subject to reasonable estimation because considerable uncertainty exists, management believes, after consulting with counsel, that the ultimate liabilities resulting from such lawsuits and claims will not materially affect the results, liquidity or financial position of the Company.

**NOTE 5 – 401(K) SALARY SAVINGS AND PROFIT SHARING PLAN**

The Company has a 401(k) salary savings and profit sharing plan that covers all employees, subject to various eligibility requirements such as months of service and age limitations. At the discretion of the board of directors, the Company may make additional contributions based on profits. The company made matching contributions of \$4,917 for the year ended March 31, 2015.

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 6 – MAJOR CUSTOMERS**

The Company had sales to customers that individually contributed in excess of 10% of revenues are as follows for the years ended March 31, 2015:

|  |               |
|--|---------------|
| Number of customers                      | 1             |
| Revenue contributed                      | \$ 2,973,325  |
| Total revenue                            | \$ 13,772,875 |
| Percent of total revenue contributed     | 22%           |
| Accounts receivable from these customers | \$ 115,129    |

**NOTE 7 – MAJOR SUPPLIERS**

The Company had purchases from vendors that individually accounted for in excess of 10% of purchases for the years ended March 31, 2015:

|                            |              |
|----------------------------|--------------|
| Number of vendors          | 3            |
| Purchases                  | \$ 1,766,166 |
| Total purchases            | \$ 4,678,692 |
| Percent of total purchases | 38%          |

**NOTE 8 – CONSOLIDATION OF VARIABLE INTEREST ENTITY**

The owners of the Company established a separate legal entity, 5101 Boone Ave, LLP (Formerly TM Holdings), to own the Company's office and manufacturing facility. The Company leases the buildings and manufacturing facilities from 5101 Boone Ave, LLP under a 20-year lease with total expected lease payments of \$11,952,000 during that period.

Following generally accepted accounting principles for variable interest entities, the Company is the primary beneficiary of 5101 Boone Ave, LLP because the Company has the power to direct the activities of 5101 Boone Ave, LLP that most significantly impact 5101 Boone Ave, LLP's economic performance. Those activities include management oversight, hiring, and decision making.

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 8 – CONSOLIDATION OF VARIABLE INTEREST ENTITY (continued)**

Should additional financial support be needed for 5101 Boone, LLP in the future, it is expected that the Company will provide that additional financial support due to the ownership and leasing relationships between the Company and 5101 Boone Ave, LLP. The current sole sources of 5101 Boone, LLP's revenue is the lease payments made by the Company.

Selected information from 5101 Boone, LLP's balance sheet as of March 31, 2015 and the results of operations for the period ended March 31, 2015, follows:

|                       |              |
|-----------------------|--------------|
| Long-Term Assets      | \$ 4,806,711 |
| Total Assets          | 7,010,781    |
| Long-Term Liabilities | 3,971,866    |
| Total Liabilities     | 4,012,775    |
| Shareholders' Equity  | 2,998,006    |
| Net Revenue           | 644,008      |
| Operating Expenses    | 335,832      |
| Net Income            | 100,074      |

The assets above are collateral for the related long-term debt on the balance sheet of the Company. Upon initial consolidation of 5101 Boone, LLP into the Company, no gain or loss was recognized.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The company's member has ownership in various affiliated companies. The Company had transactions with three related party during for the period ended March 31, 2015 which included purchases of \$981,955. The Company had payables to the related parties that amounting to \$795,054 at March 31, 2015.

**NOTE 10 – SALE OF SUBSIDIARY**

On May 22, 2014, the membership units of Drill Pipe International, LLC were sold by their 100% owner to a third party for consideration totaling \$7,464,000, which consists of a \$464,000 down payment and a promissory note of \$7,000,000. The note receivable calls for nine annual payments of \$777,778, plus interest at 2.00%, beginning June 2015. The purchase price approximated the net book value of the assets and liabilities and no gain or loss was recognized as a result of the sale of the subsidiary. Additionally, the Company sold equipment to the third party with a net book value totaling \$756,504 for consideration totaling \$967,489 resulting in a gain of \$210,985.

**WORLD TRANSLOAD AND LOGISTICS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2015**

**NOTE 11 – SALE OF MEMBERSHIP INTEREST**

On May 22, 2014, the membership units of World Transload and Logistics, LLC and 5101 Boone, LLP were sold to by their 100% owner to a third party for consideration totaling \$8,700,000, including the payment of debt and interest the Company owed to the owner totaling \$1,051,894. For purposes of these financial statements, the Company has recognized a net asset impairment push-down accounting charge totaling \$1,906,491 as a result of this transaction effective as of the beginning of the fiscal year, April 1, 2014. The components of this charge are summarized below:

|  |                    |
|--|--------------------|
| Intangible asset impairment                              | \$1,556,667        |
| Property plant and equipment impairment                  | 2,007,869          |
| 5101 Boone LLP land and building depreciation adjustment | <u>(1,658,045)</u> |
| Net asset impairment charge                              | <u>\$1,906,491</u> |

The current owner of the Company also owns the Company that purchased the subsidiary and equipment discussed in Note 9.