

AMINCOR, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Amincor, Inc.

We have audited the accompanying consolidated balance sheet of Amincor, Inc. and Subsidiaries (the "Company") as of December 31, 2014, and the related consolidated statements of operations, changes in stockholders' deficiency, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amincor, Inc. and Subsidiaries as of December 31, 2014, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully discussed in Note 2, the Company has incurred significant net losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Marcum LLP

New York, NY
October 17, 2016

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Amincor, Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2014

Assets

Current assets:

Cash	\$ 105,204
Accounts receivable, net of allowance of \$287,938	214,206
Inventories	500,325
Prepaid expenses and other current assets	<u>166,326</u>

Total current assets	<u>986,061</u>
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Property, plant and equipment, net	10,146,092
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Other assets:

Other intangible assets, net	299,000
Property held for investment	6,000,000
Other assets	368,968
Assets available for sale	<u>1,697,650</u>

Total other assets	<u>8,365,618</u>
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Total assets	<u><u>\$ 19,497,771</u></u>
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Amincor, Inc. and Subsidiaries
Consolidated Balance Sheet
December 31, 2014

Liabilities and Stockholders' Deficiency

Current liabilities:

Accounts payable	\$ 9,469,789
Assumed liabilities	640,333
Accrued expenses and other current liabilities	8,161,492
Loans payable to related party	15,118,185
Notes payable – current portion	5,539,948
Current liabilities - discontinued operations	<u>4,493,042</u>
Total current liabilities	<u>43,422,789</u>

Long-term liabilities:

Notes payable - net of current portion	<u>3,881,692</u>
Total long-term liabilities	<u>3,881,692</u>
Total liabilities	<u>47,304,481</u>

Commitments and contingencies

Stockholders' deficiency

Amincor, Inc. stockholders' deficiency:

Convertible preferred stock, \$0.001 par value per share; 3,000,000 authorized, 1,752,823 shares issued and outstanding (liquidation preference of \$175,282,300)	1,753
Common stock - class A; \$0.001 par value; 22,000,000 authorized, 12,844,839 shares issued and outstanding	12,845
Common stock - class B; \$0.001 par value; 40,000,000 authorized, 21,286,344 shares issued and outstanding	21,286
Additional paid-in capital	88,020,235
Accumulated deficit	<u>(115,293,722)</u>
Total Amincor, Inc. stockholders' deficiency	<u>(27,237,603)</u>

Non-controlling interest deficiency:

	<u>(569,107)</u>
Total deficiency	<u>(27,806,710)</u>
Total liabilities and stockholders' deficiency	<u>\$ 19,497,771</u>

Amincor, Inc. and Subsidiaries
Consolidated Statement of Operations
For the Year Ended December 31, 2014

Net revenues	\$ 18,460,840
Cost of revenues	<u>18,143,010</u>
Gross profit	317,830
Selling, general and administrative expenses (includes impairment charge of \$574,241)	<u>12,169,535</u>
Loss from operations	<u>(11,851,705)</u>
Other expense:	
Interest expense	299,155
Interest expense - related party	3,089,043
Other (income) expense -net	<u>(242,883)</u>
Total other expense	<u>3,145,315</u>
Net loss from continuing operations	<u>(14,997,020)</u>
Income from discontinued operations	<u>490,641</u>
Net loss	(14,506,379)
Net loss attributable to non-controlling interests	<u>(64,789)</u>
Net loss attributable to Amincor, Inc. and Subsidiaries	<u><u>\$ (14,441,590)</u></u>
Net loss per common share	
Net loss per Class A common share from continuing and discontinued operations - basic and diluted	<u><u>\$ (1.35)</u></u>
Weighted average Class A shares outstanding - basic and diluted	<u><u>10,741,000</u></u>
Net loss per Class B common share from continuing and discontinued operations - basic and diluted	<u><u>\$ (0.68)</u></u>
Weighted average Class B shares outstanding - basic and diluted	<u><u>21,286,344</u></u>

Net loss per common share attributable to continuing operations:

Net loss per Class A common share from continuing operations - basic and diluted	<u>\$ (1.40)</u>
Weighted average Class A shares outstanding - basic and diluted	<u>10,741,000</u>
Net loss per Class B common share from continuing operations - basic and diluted	<u>\$ (0.70)</u>
Weighted average Class B shares outstanding - basic and diluted	<u>21,286,344</u>

Net income per common share attributable to discontinued operations

Earnings per Class A common share from discontinued operations - basic and diluted	<u>\$ 0.05</u>
Weighted average Class A shares outstanding - basic and diluted	<u>10,741,000</u>
Earnings per Class B common share from discontinued operations - basic and diluted	<u>\$ 0.02</u>
Weighted average Class B shares outstanding - basic and diluted	<u>21,286,344</u>

Amincor, Inc. and Subsidiaries
Consolidated Statement of Changes in Stockholders' Deficiency
Year Ended December 31, 2014

	Amincor, Inc. and Subsidiaries									
	Convertible Preferred Stock		Common Stock - Class A		Common Stock - Class B		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest Deficiency	Total Stockholders' Deficiency
	Shares	Amount	Shares	Amount	Shares	Amount				
Balances at January 1, 2014	1,752,823	\$ 1,753	7,913,023	\$ 7,913	21,286,344	\$ 21,286	\$ 87,201,076	\$ (100,852,132)	\$ (504,318)	\$ (14,124,422)
Issuance of common stock to officers for cash	-	-	4,931,816	4,932	-	-	252,068	-	-	257,000
Share based compensation	-	-	-	-	-	-	567,091	-	-	567,091
Net loss	-	-	-	-	-	-	-	(14,441,590)	(64,789)	(14,506,379)
Balances at December 31, 2014	1,752,823	\$ 1,753	12,844,839	\$ 12,845	21,286,344	\$ 21,286	\$ 88,020,235	\$ (115,293,722)	\$ (569,107)	\$ (27,806,710)

Amincor, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014

Cash flows from operating activities:

Net loss from continuing operations	\$ (14,997,020)
Adjustments to reconcile net loss to net cash used in operating activities from continuing operations	
Depreciation and amortization	1,709,229
Impairment of goodwill and other intangible assets	574,241
Stock-based compensation	567,091
Gain on sale of equipment	(191,568)
Loss on disposal of equipment	397,566
Provision for doubtful accounts	301,263
Write down for obsolete inventory	414,607
Write down of assets available for sale - discontinued operations	388,783
Write-off of loan receivable	240,000
Changes in operating assets and liabilities:	
Accounts receivable	2,873,035
Inventories	(76,768)
Costs and estimated earnings in excess of billings on uncompleted contracts	40,049
Prepaid expenses and other current assets	1,232,451
Other assets	(271,942)
Accounts payable	1,002,341
Accrued expenses and other current liabilities	795,564
Billings in excess of costs and estimated earnings on uncompleted contracts	(675,786)
Deferred revenue	(101,675)
Assumed liabilities	(113,434)
Other long-term liabilities	(6,104)
Net cash used in operating activities - discontinued operations	<u>(17,982)</u>

Net cash used in operating activities (5,916,059)

Cash flows from investing activities:

Purchases of property and equipment	(170,761)
Deposits paid	(43,378)
Proceeds from sale of equipment	<u>187,500</u>

Net cash used in investing activities (26,639)

Amincor, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2014

Cash flows from financing activities:

Proceeds from loans to related parties	\$ 31,640,387
Repayments of loans to related parties	(24,453,505)
Proceeds from issuance of Class A common stock	257,000
Principal payments of capital lease obligations	(243,386)
Repayments of notes payable	<u>(1,448,387)</u>

Net cash provided by financing activities	<u>5,752,109</u>
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Net decrease in cash	(190,589)
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Cash, beginning of year	<u>295,793</u>
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Cash, end of year	<u><u>\$ 105,204</u></u>
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Supplemental disclosure of cash flow information:

Cash paid during the period for:

Interest	<u><u>\$ 1,112,050</u></u>
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Income taxes	<u><u>\$ -</u></u>
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Non-cash investing and financing activities:

Financing of insurance by notes payable	<u><u>\$ 940,713</u></u>
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Acquisition of equipment by notes payable	<u><u>\$ 235,655</u></u>
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Settlement of payables in connection with sale of equipment	<u><u>\$ 124,065</u></u>
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Settlement of notes payable from repossession of equipment	<u><u>\$ 151,026</u></u>
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Settlement of capital lease obligation through sale of equipment	<u><u>\$ 142,363</u></u>
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AMINCOR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

1. Organization and Nature of Business

ORGANIZATION

Amincor, Inc. (“Amincor”) was incorporated on October 8, 1997 and is headquartered in New York, New York. Amincor’s operations are derived from its subsidiary companies:

Advanced Waste & Water Technology, Inc. (“AWWT”)
Baker’s Pride, Inc. (“BPI”)
T-Environmental, Inc. (“T-Env”)
Tyree Holdings Corp. (“Tyree”)
Amincor Other Assets, Inc. (“AOA”)

Amincor, along with each of these operating subsidiaries, is herein referred to as the “Company.”

AWWT performs water remediation services in the Northeastern United States and is headquartered in Farmingdale, New York. In addition to its fixed station operations AWWT works with impacted water producers to provide water remediation equipment and services throughout the United States and select international markets. The services include water testing and evaluation, system engineering and design, system training, servicing and maintenance.

BPI manufactures bakery food products, consisting primarily of several varieties of sliced and packaged private label bread in addition to fresh and frozen varieties of donuts, in the Midwest and Eastern region of the United States. BPI is headquartered and operates facilities in Burlington, Iowa.

T-Env was formed on November 10, 2014 as a new subsidiary of the Company. T-Env had no material operations for the year ended December 31, 2014. In 2015 T-Env formally began operations and is in the business of servicing the fueling needs of its customers.

Tyree, operated through its wholly-owned subsidiary companies Tyree Environmental Corp., Tyree Service Corp. and Tyree Equipment Corp. engaged in environmental consulting, site assessment, analysis and management of site remediation for owners and operators of property with petroleum storage facilities. Complimenting these services, Tyree performed construction services to customers with underground petroleum storage tanks and petroleum product dispensing equipment. Tyree marketed its services throughout the Northeast and Mid-Atlantic regions of the United States to national and multinational enterprises, as well as to local and national governmental agencies and municipalities. The majority of Tyree’s revenue was derived from customers in the

AMINCOR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Northeastern United States. Tyree's headquarters are located in Farmingdale, New York and its environmental services business unit is located in Mt. Laurel, New Jersey. In August 2014 management concluded that Tyree's maintenance service line was not profitable and discontinued maintenance operations. As a result of a loss of business of significant customers including Getty and a general decline in the demand for their services Tyree discontinued their business operations in August 2015.

AOA was incorporated to hold real estate, equipment and loan receivables.

DISCONTINUED OPERATIONS

The consolidated financial statements include the discontinued operations of Epic Sports International, Inc. ("ESI"), Masonry Supply Holdings Corp. ("Masonry"), Tulare Holdings, Inc. ("Tulare") and Environmental Quality Services, Inc. ("EQS"). See Note 21 for further disclosure.

SIGNIFICANT RELATED PARTY

The Company, along with each of its operating subsidiaries, continues to incur significant net losses and continues to use significant cash in operations. To date, the Company is significantly dependent on the receipt of funding from Capstone Business Funding, LLC, Capstone Capital Group, LLC and Capstone Credit, LLC (collectively, the "Capstone Funds") in order to continue operating in the normal course of business. The Capstone Funds provide numerous types of financings to the Company, including single invoice factoring, discount factoring, purchase order financing, and other advances. John R. Rice III (the "President") and Joseph F. Ingrassia (the "Vice-President and Interim Chief Financial Officer"), of the Company, beneficially own substantially all of the Company's outstanding voting common stock and are the sole owners of the Capstone Funds.

2. Going Concern and Management Plans

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has suffered recurring net losses and had a working capital deficit of \$42,436,728 and a stockholders' deficiency of \$27,237,603 as of December 31, 2014. As disclosed in Note 1, the Company's operating subsidiaries are heavily dependent on on-going funding from the Capstone Funds and in addition, Tyree continues to be involved in legal matters and vendor payment disputes. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise additional funds through debt and equity financing, the Capstone Funds' willingness to continue to fund operations, favorable outcomes regarding legal matters as related to the prior operations of Tyree and the

AMINCOR, INC. AND SUBSIDIARIES

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ability of Tyree to pay its subcontractors for work previously performed. Management's additional plans to continue as a going concern are as follows:

- Advanced Waste & Water Technology, Inc.
 - Successfully sell large-scale waste water treatment equipment through AWWT's established licensing agreement,
 - Search for and build a new waste water treatment facility to expand the geographic footprint of AWWT.
- Baker's Pride, Inc.
 - Secure additional donut and bread customers to increase the utilization of existing plant assets and place significant and competitive bids to strategic players within the fresh bread manufacturing industry, as well as increase revenues from its existing customers,
 - Increase the co-pack (private label manufacturing) donut, bread and bun business once the existing plant assets are operating at maximum capacity.
- T-Environmental
 - Contract with car rental companies to provide environmental remediation services
 - Develop an environmental consulting services platform for "E-waste"
 - Develop other environmental remediation services to manage storm water runoff and pollution
- Amincor Other Assets, Inc.
 - Sell assets held for sale to provide working capital to the Company's subsidiaries,
 - Rent out assets held for sale to offset the costs of ownership of those assets wherever possible, if the assets cannot be sold.
- Amincor, Inc.
 - Secure new financing from a financial institution to provide needed working capital to the subsidiary companies.

While management believes that it will be able to implement the plans contemplated above and continue to obtain financing from the Capstone Funds in such amounts sufficient to sustain operations at the Company's current levels, if the Company is not able to do so and if the Company is unable to become profitable, the Company would likely need to modify its plans and/or cut back on its operations and potentially seek protection in federal bankruptcy court. The consolidated financial statements do not

AMINCOR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

include any adjustments that might be necessary if the Company is unable to continue as a going concern.

3. Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Amincor and all of its consolidated subsidiaries disclosed in Note 1. All intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include reserves and write-downs related to receivables and inventories, earnings on uncompleted contracts, the recoverability of long-lived assets, the valuation allowance relating to the Company's deferred tax assets and stock-based compensation. Actual results could differ from those estimates. Certain of the Company's estimates, including the carrying amount of the intangible assets, could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and could cause actual results to differ from those estimates.

REVENUE RECOGNITION

AWWT

AWWT provides water remediation and logistics services for its clients. AWWT invoices clients based on bills of lading, which specify the quantity and type of water treated. Revenue is recognized as water remediation services are performed, prices are fixed and determinable, and collectability is reasonably assured. Revenues are reduced for estimated discounts and other allowances, if any.

AMINCOR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

BPI

Revenue is recorded net of discounts and is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price to the customer is fixed and determinable, and collection from the customer is reasonably assured. The Company requires all of its product sales to be supported by evidence of a sale transaction that clearly indicates the selling price to the customer, shipping terms and payment terms. Evidence of an arrangement generally consists of a contract or purchase order approved by the customer. Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer upon shipment, but could occur when the customer receives the product based on the terms of the agreement with the customer. Customer sales discounts are accounted for as reductions of revenues in the same period the related sales are recorded.

TYREE

Tyree provided environmental consulting, site assessment, analysis and management of site remediation for owners and operators of property with petroleum storage facilities. Revenue is recognized as services are provided, prices are fixed and determinable, and collectability is reasonably assured. Revenues are reduced for estimated discounts and allowances, if any. Tyree discontinued their business operations in August 2015

For the year ended December 31, 2014, revenue concentration was as follows:

	<u>Percentage of Revenue</u>	
Customer A	45.2	%
Customer B	11.6	%
	<u>56.8</u>	<u>%</u>

ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due from customers that are not factored by the Company, are full recourse to the Company and are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's estimate of the amount of receivables that will actually be collected after analyzing the credit worthiness of its customers and historical experience, as well as the prevailing business and economic environment. Accounts are written off when significantly past due and after exhaustive efforts at collection. Recoveries of accounts receivables previously written off are recorded as income when subsequently collected.

AMINCOR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

INVENTORIES

Inventories are stated at the lower of cost or market using the first-in, first-out method. Market is determined based on the net realizable value with appropriate consideration given to obsolescence, excessive levels and other market factors. An inventory reserve is recorded if the carrying amount of the inventory exceeds its estimated market value.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining lease terms. Expenditures for repairs and maintenance are charged to operations as incurred. Renewals and betterments are capitalized. Upon the sale or retirement of an asset, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the results of operations.

INTANGIBLE ASSETS

Goodwill and indefinite-lived intangibles are not subject to amortization but are tested for impairment annually or whenever events or circumstances change, such as a significant adverse change in the economic climate that would make it more likely than not that impairment may have occurred. If the carrying value of goodwill or an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized.

Intangible assets with finite lives are recorded at cost less accumulated amortization. Finite-lived tangible assets are amortized on a straight-line basis over the expected useful lives of the respective assets.

PROPERTY HELD FOR INVESTMENT

Property held for investment consists property in Pelham Manor, New York which is recorded at the estimated fair value of the property.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. The Company assesses recoverability by determining whether the net book value of the related asset will be recovered through the projected undiscounted future cash flows of the asset. If the Company determines that the carrying value of the asset may not be

AMINCOR, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

recoverable, it measures any impairment based on the asset's fair value as compared to the asset's carrying value.

ALLOWANCE FOR LOAN LOSSES

An allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to operations. A loan is determined to be non-accrual when it is probable that scheduled payments of principal and interest will not be received when due according to the contractual terms of the loan agreement. See Note 8.

INCOME TAXES

The Company accounts for income taxes using the liability method, which provides for an asset and liability approach to accounting for income taxes. Under this method, deferred tax assets and liabilities are recorded for future tax effects of temporary differences between the financial reporting and tax basis of assets and liabilities, and measured when using the current tax rates and laws that are expected to be in effect when the underlying assets or liabilities are anticipated to be recovered or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount of tax benefits expected to be realized.

In applying the liability method, the financial statement effects of an uncertain tax position be recognized based on the outcome that is more likely than not to occur. Under the criterion the most likely resolution of an uncertain tax position should be analyzed based on technical merits and on the outcome that would likely be sustained under examination.

EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share considers the potential dilution that could occur if securities or other contracts to issue common stock were exercised or could otherwise cause the issuance of common stock.

The following securities are excluded from the calculation of the weighted average dilutive common shares because their inclusion would have been anti-dilutive for the year ended December 31, 2014:

Options	6,484,118
Convertible Preferred Stock	1,752,823
Total potentially dilutive shares	<u>8,236,941</u>

AMINCOR, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

STOCK-BASED COMPENSATION

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. The Company estimates the fair value of the awards granted based on the fair value of the stock on the date of the grant. Awards granted to directors are treated on the same basis as awards granted to employees.

ADVERTISING COSTS

Advertising costs are charged to expense as incurred and are included in selling, general and administrative costs on the consolidated statement of operations. Advertising expenses were approximately \$23,000 for the year ended December 31, 2014.

RECENT ACCOUNTING PRONOUNCEMENTS

In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to continue as a Going Concern, which is included in Accounting Standards Codification 205, Presentation of Financial Statements. This update provides an explicit requirement for management to assess an entity’s ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The amendments are effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company has not yet adopted this standard.

The FASB has issued ASU No. 2014-09, Revenue from Contracts with Customers. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605 - Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective on January 1, 2018 and should be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application. Early adoption is permitted commencing January 1, 2017. The Company has not yet determined the effect

AMINCOR, INC. AND SUBSIDIARIES

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of the adoption of this standard will have on its consolidated financial position and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASU 2016-02”), which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the impact of adopting ASU 2016-02 on the consolidated financial statements.

4. Accounts Receivable and Factoring

Accounts Receivable consists of:

- Receivables generated during the regular course of business
- Amounts due from the factor when receivables are sold and collected

Tyree entered into non-recourse purchase and sale agreements on various dates throughout the year ended December 31, 2014 with the Capstone Funds who purchases the accounts receivable of Tyree in exchange for a cash advance on the accounts receivable. Fees for this service are as below:

Amincor Subsidiary Company	Typical Advance Rate	Fee for 0 – 30 days	Fee for each 10 day period after 30 days	Fee for each 10 day period after 70 days
TYREE	70.0%*	2.25%*	1.0%*	2.0%*

*Percentages references in the above chart are a percentage of the total invoice sold to Capstone Business Funding, LLC

A new purchase and sale agreement is executed each time a cash advance is required and there is no contract in place for the ongoing sale of accounts receivables.

BPI and The Mt. Pleasant Street Bakery, Inc. (a subsidiary of BPI) have an active relationship with the Capstone Funds whereby the Capstone Funds purchase the accounts receivables in exchange for a cash advance on the accounts receivable. Fees for this service are as below:

Amincor Subsidiary Company	Typical Advance Rate	Fee for 0 – 15 days	Fee for each 7 day period after 15 days
BPI	80.0%*	1.0%*	0.5%*

*Percentages references in the above chart are a percentage of the total invoice sold to Capstone Credit, LLC

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

The below chart shows the total invoice amounts factored by Amincor Subsidiaries with the Capstone Funds for the year ended December 31, 2014:

<u>Subsidiary</u>	<u>Amount</u>
Tyree	\$14,443,178
BPI	4,190,436
Total	<u>\$18,633,614</u>

Fees paid to the Capstone Funds for the factoring of accounts receivable were \$1,022,363 for the year ended December 31, 2014. These fees were recorded under interest expense – related party on the accompanying consolidated statement of operations.

5. Inventories

Inventories consist of:

- Baking ingredients
- Finished bakery goods

A summary of inventory as of December 31, 2014 is below:

Ingredients	294,554
Finished goods	205,771
Inventories	<u>\$ 500,325</u>

In August 2014 management concluded that Tyree's maintenance service line was not profitable and discontinued maintenance operations. As a result, Tyree's inventory was written down to its estimated net realizable value. The Company incurred an expense of approximately \$400,000 to write down the obsolete inventory associated with the division. This cessation of business did not qualify for discontinued operations treatment because it was not a component of an entity, as its operations and cash flows were not clearly distinguished from the remaining operations of Tyree.

6. Property, Plant and Equipment

BPI

During the year ended December 31, 2014, BPI acquired machinery and equipment from a vendor in order to service one of its largest customers ("Customer B"). In connection with the purchase, BPI made a down payment of \$36,446, however due to BPI's cash constraints, BPI entered into an agreement with Customer B whereby Customer B would pay the vendor the remaining balance owed of \$235,655 on the equipment and BPI would

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repay Customer B over time by issuing credits to Customer B on future sales. See Note 14.

During the year ended December 31, 2014, BPI sold land and a building with a remaining net book value of \$58,374 in exchange for cash of \$145,000. The Company recorded a gain on the sale of \$86,626.

During the year ended December 31, 2014, BPI returned certain machinery and equipment with a remaining net book value of \$206,665 to the vendor which had leased such equipment to BPI under a capital lease arrangement. Remaining capital leases obligations of \$142,363 were settled as a result of the return, and BPI recorded a loss on the disposition of the machinery and equipment of \$63,302.

TYREE

During the year ended December 31, 2014, Tyree entered into an agreement with a vendor whereby it agreed to sell certain equipment with a net book value of \$61,623 in exchange for (a) cash of \$42,500, (b) the settlement of previously-owned payables of \$47,670 and, (c) credits to be applied against future payables due to that vendor of \$76,395. Tyree recorded a gain on the sale of such equipment in the amount of \$104,942.

During the year ended December 31, 2014, certain vehicles previously owned by Tyree with a remaining net book value of \$316,283 were repossessed as a result of Tyree's inability to make payments on the loans for which the vehicles were collateralized against. In connection with the repossession, Tyree recorded a loss on the disposal of \$165,257 and the remaining debt owed on the vehicles of \$151,026 was settled.

During the year ended December 31, 2014, Tyree disposed of other equipment and machinery and recorded an aggregate loss on disposal of \$169,007.

As of December 31, 2014, property, plant and equipment from continuing operations consisted of the following:

	Useful Lives (Years)	Amount
Land	n/a	\$ 419,656
Machinery and equipment	2-10	13,432,574
Furniture and fixtures	5-10	90,308
Building and leasehold improvements	10	3,395,641
Computer equipment and software	5-7	838,466
		<u>18,176,645</u>
Less accumulated depreciation		<u>(8,030,553)</u>
		<u>\$ 10,146,092</u>

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Total depreciation expense related to continuing operations for the year ended December 31, 2014 was \$1,709,229.

7. Loan Receivable

On April 1, 2013, the Company entered into a stock purchase agreement with Essential Environmental Technologies, an unaffiliated company ("EET"), whereby the Company agreed to sell all 150 outstanding common shares it owned in EQS, in exchange for a note receivable in the amount of \$500,000. The note receivable bears interest of 8% per annum and matures on April 1, 2018. The note receivable was to be repaid to the Company as follows: (a) interest only payments of \$3,333 per month for the initial 24-month period of the note and (b) monthly payments of principle and interest of \$15,668 for the remaining 36 months of the note. In connection with the sale, the Company also agreed to release EET of certain past liabilities due to the Company.

Interest earned and accrued on the loan totaled \$0 for the year ended December 31, 2014. In November 2015, management became aware that EET's laboratory certifications were revoked by New York State. As a result, management has determined that the loan balance due from EET is uncollectible and as such has decided to write off the remaining balance due of \$240,000 as of December 31, 2014.

8. Intangible Assets

Licenses and permits (an intangible asset) of \$299,000 as of December 31, 2014, have indefinite useful lives and are not being amortized but are instead tested for impairment annually or whenever an event occurs that may indicate a significant decrease in the fair value of the assets has taken place.

The aforementioned licenses and permits have renewal provisions, which are generally one to four years. As of December 31, 2014, the weighted-average period to the next renewal was ten months. The costs of renewal are nominal and are expensed when incurred. The Company intends to renew all licenses and permits currently held.

At December 31, 2014, due to the Company's continued recurring net losses and significant cash used in operations, the Company determined that a test to measure a potential impairment of the licenses and goodwill was necessary. The impairment analysis on Tyree's licenses and permits, an intangible asset, concluded that the aforementioned licenses and permits were impaired. The Company recorded an impairment expense of \$552,000 as a result of the impairment studies as of December 31, 2014. An impairment charge of \$22,241 was also taken against the goodwill during the year ended December 31, 2014 to fully impair the remaining balance. The Company has

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included the aggregate impairment charges in selling, general and administrative expenses on the accompanying statement of operations.

9. Property Held for Investment

The Company's property held for investment consists of a property held by AOA in Pelham Manor, NY for which the Company is actively attempting to sell and monetize. The property was acquired by the Company when the Company acquired Masonry, a now discontinued operation. As of December 31, 2014, the estimated fair value of the property held for investment totaled \$6,000,000. There is a mortgage payable held against this asset of \$1.5 million as of December 31, 2014. See Note 14. At December 31, 2014, certain pieces of the property held are being leased to third parties, however, income associated with the leases is not material to the Company's financial statements.

10. Assets Held for Sale

Assets held for sale totaled \$1,697,650 as of December 31, 2014. Assets held for sale are primarily land and property in Tulare, California related to the acquisition of the now discontinued operation Tulare Frozen Foods. The Company recorded a loss related to the write off of obsolete and unsalvageable plant assets related to Tulare Frozen foods of approximately \$389,000 during the year ended December 31, 2014. Subsequent to December 31, 2014, these assets were sold in an auction and all taxes and claims owed against the property were considered settled.

11. Assumed Liabilities

Assumed liabilities totaled \$640,333 as of December 31, 2014. Assumed liabilities are primarily liabilities assumed by Tyree when Tyree was formed in 2008. The decrease in assumed liabilities was pursuant to an agreement with the former president of Tyree on August 1, 2014, wherein approximately \$656,000 of these liabilities were reclassified to Notes payable.

12. Accrued Expenses and Other Current Liabilities

Accrued expenses as of December 31, 2014 consist of the following:

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Payroll Taxes Payable - Federal and State	\$ 2,224,192
Sales Tax Payable	1,813,894
Accrued Workers' Compensation Payable	758,054
Accrued State Withholding Tax Payable	625,409
Accrued Legal Expenses	565,917
Union Payable	336,601
Accrued Medical Claims	217,887
Accrued Interest Payable	208,750
Other Accrued Expenses	<u>1,410,788</u>
Total Accrued Expenses and Other Current Liabilities	<u><u>\$ 8,161,492</u></u>

During the years ended December 31, 2013 and 2012, Tyree did not file certain required payroll tax returns on a timely basis and did not timely pay its payroll tax liabilities, including trust funds withheld on behalf of its employees. Through the assistance of an outside payroll services company, Tyree filed all delinquent payroll tax returns during the fourth quarter of 2014 and is currently in negotiations with the federal and various state authorities to settle its past-due payroll tax obligations incurred in 2013 and earlier years. At December 31, 2014, Tyree had a balance accrued, including penalties and interest, of approximately \$2.2 million remaining as related to this liability.

During the year ended December 31, 2013, Tyree did not file required sales tax returns in various jurisdictions. Tyree subsequently filed the required returns and is currently in negotiations with various state authorities to settle the remaining sales tax liability. Tyree estimates that its outstanding sales tax liability, including penalties and interest, is approximately \$1.8 million as of December 31, 2014.

13. Loans Payable to Related Parties

Loans payable to related parties consist of the following at December 31, 2014:

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BPI and Tyree Revolving working capital line of credit with the Capstone Funds bearing interest at 18% per annum. The loan is secured by a subordinated interest in Baker's Pride's and Tyree's assets. \$ 13,107,563

Tyree short-term accounts receivable financing arrangement with the Capstone Funds. No maturity date is specified. Interest is charged at variable rates based upon collection days outstanding. 1,186,639

Promissory notes payable, with accrued interest, to three former stockholders of the Company. These notes are unsecured and are subordinate to the Company's senior debt. The notes matured, are in default and bear interest at an annual fixed rate of 6.00%. 500,000

Amincor, Inc. loan and security agreement with the Capstone Funds. The loan is due on demand and imputed interest is deemed de minimus to the financial statements 323,983

Total loans and amounts payable to related parties \$ 15,118,185

Interest expense for these loans amounted to \$3,089,043 for the year ended December 31, 2014.

14. Notes Payable

Notes payable consists of the following as of December 31, 2014:

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Promissory notes converted from accounts payable, with an imputed interest rate of 10%. Payment terms are from 12 to 24 months. \$ 3,612,399

BPI bridge loan (as amended) with a commercial bank, collateralized by property, plant and equipment located in Burlington, Iowa in addition to assets purchased, and bearing interest at 5.5% per annum with a monthly principal and interest payment of \$22,582. The loan matures on September 1, 2019. 2,726,803

AOA promissory note payable, collateralized by property located in Pelham, New York. Payable in monthly installments of interest only bearing an interest rate of 12.00% per annum. The loan matures on December 31, 2016 upon which the entire unpaid principal amount and all accrued interest is fully due and payable. 1,500,273

Reclassification of assumed liabilities payable into a note payable due from the former president of Tyree (See Note 11) 1,268,025

Equipment loans payable, collateralized by the assets purchased, and bearing interest at annual fixed rates ranging from 8.00% to 15.00% as of December 31, 2014. The loans matured and are in currently in default 125,874

BPI Equipment notes payable to third parties in exchange for a reduction in price for goods produced with the equipment. 188,266

Total 9,421,640

Less current portion (5,539,948)

Long-term portion \$ 3,881,692

Interest expense for these notes amounted to \$299,155 for the year ended December 31, 2014.

Annual principal payments required to be made on long-term debt are as follows:

Year Ending December 31,	
2015	\$ 5,539,948
2016	131,833
2017	139,322
2018	147,182
2019	3,463,355
	<u>\$ 9,421,640</u>

15. Capital Lease Obligations

The Company had no equipment under capital leases at December 31, 2014. All equipment formerly under capital lease at December 31, 2013 was returned to the lessor

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or repossessed by the lessors during the year ended December 31, 2014 as disclosed in Note 6. Interest expense for capital leases amounted to \$47,811 for the year ended December 31, 2014.

16. Income Taxes

The Company records the income tax effect of transactions in the same year that the transactions occur to determine net income, regardless of when the transactions are recognized for tax purposes. Deferred taxes are provided to reflect the income tax effects of amounts included in the Company's financial statements in different periods than for tax purposes, and principally relate to net operating loss carryforwards, equity compensation charges, accrued expenses, impairment of long-lived assets, depreciation and amortization expenses.

The company files tax returns in the United States Federal and various state jurisdictions. The Company's income tax provision (benefit) at December 31, 2014 consists of the following:

Federal:	
Current	\$ -
Deferred	(2,087,134)
State and local:	
Current	-
Deferred	(368,317)
	<u>(2,455,451)</u>
Change in valuation allowance	2,455,451
Income tax provision (benefit)	<u><u>\$ -</u></u>

Deferred tax assets represent the future income tax benefit from amounts that have been recognized as expenses for financial statement purposes until future years. Likewise, deferred tax liabilities represent the current income tax benefit from amounts that may be deducted for income tax purposes but have not yet been recognized as expenses for financial statement purposes.

The Company evaluates deferred income taxes quarterly to determine if it is more likely than not that the future tax benefits from deferred tax assets will be realized in future years. Valuation allowances are established if it is determined that the Company may not realize some or all such future tax benefits. The Company assesses whether valuation

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allowances against the deferred tax assets should be established or adjusted based on consideration of all available evidence, both positive and negative, using the more likely than not standard. This assessment considers, among other matters, the nature, frequency of recent income and losses, forecasts of future profitability and the duration of statutory carry forward periods. In making such judgments, significant weight is given to evidence that can be objectively verified.

The tax effect of temporary differences that give rise to the deferred tax assets and liabilities as of December 31, 2014 is presented below:

Deferred tax assets:

Net operating loss carryforwards	\$ 32,274,000
Accounts receivable	115,000
Notes receivable	104,000
Inventory	488,000
Goodwill	662,000
Intangible assets	2,134,000
Equity compensation	813,000
Accrued expenses and other current liabilities	<u>2,169,000</u>
Total gross deferred tax assets	38,759,000

Deferred tax liabilities:

Property, plant and equipment	<u>(1,544,000)</u>
Net deferred tax assets before valuation allowance	37,215,000
Less: valuation allowance	<u>(37,215,000)</u>
Total	<u>\$ -</u>

As of December 31, 2014 the Company's federal net operating losses were approximately \$80 million. These net operating loss carryforwards expire from the years ended 2028 to 2034 and may be limited in accordance with the Internal Revenue Code ("IRC") based on certain changes in ownership that have occurred, or could occur in the future.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company's consolidated financial statements as of December 31, 2014. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date. The Company is in the process of completing its 2014 federal and state income tax returns and its 2013 and

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2012 federal and state income tax returns remain subject to examination by tax authorities. The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations.

The Company's effective tax rate differs from the statutory Federal income tax rate of 34%, primarily due to the effect of state and local income taxes, true-ups, changes in tax rates and the impact of recording a deferred tax valuation allowance. A deferred tax valuation allowance is recorded if it is determined that the Company may not realize or some of all of the future tax benefits from the deferred tax assets, which primarily consist of the potential future tax benefits from net operating loss carryforwards. The following is a reconciliation of the income tax expense that would result from applying the U.S. Federal statutory income tax rate to the Company's recorded income tax expense for the year ended December 31, 2014:

Income tax expense (benefit) at federal statutory rate	\$	(4,834,000)
State taxes , net of federal benefit		(853,000)
Permanent differences		149,000
True-ups		3,093,000
Change in deferred tax valuation allowance		2,445,000
	\$	-

17. Commitments and Contingencies

LEASE COMMITMENTS

The Company leases office and warehouse space under non-cancelable operating leases that expire at various dates through 2019. Some of the leases carry renewal provisions and some require the Company to pay maintenance costs or a share of real estate taxes and other costs. Rental payments may be adjusted for increases in taxes and insurance.

Rent expense on leases containing scheduled rent increases is recognized by amortizing the aggregate lease payments on a straight-line basis over the lease term. This has not resulted in any deferred rent liability as of December 31, 2014. Rent expense totaled \$1,055,295 for the year ended December 31, 2014.

At December 31, 2014, the future minimum lease commitments under non-cancelable operating leases are as follows:

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<u>Years Ended</u>	<u>Total</u>
2015	\$ 665,420
2016	604,941
2017	613,000
2018	625,382
2019	629,228
Thereafter	<u>3,330,857</u>
	<u>\$ 6,468,828</u>

EMPLOYEE BENEFIT PLANS

BPI

BPI established a 401(k) retirement plan (the “BPI Plan”) effective January 1, 2009. The Plan covers employees of the Company who have completed three months (250 hours) of service and have attained the age of twenty-one. All employees hired prior to January 1, 2009 entered the Plan immediately. The BPI Plan permits participants to choose either a traditional pre-tax salary deferral plan or a Roth after-tax deferral plan. BPI does not make matching or discretionary contributions.

Tyree

Tyree has established the Tyree Holdings 401(k) Retirement Plan (the “Tyree Plan”), which covers all eligible non-union employees. The Tyree Plan provides for voluntary contributions by eligible employees up to a maximum of 85% of their eligible compensation, subject to the applicable federal limitations. Tyree has the option to make a discretionary contribution each year, but did not make any contributions for the year ended December 31, 2014.

Tyree had collective bargaining agreements with labor unions. These agreements expired at varying dates through November 30, 2012. In accordance with its collective bargaining agreements, Tyree participated in four multi-employer pension plans and one defined contribution 401(k) Plan. These plans provide benefits to substantially all union employees. Such plans are usually administered by a board of trustees comprised of the management of the participating companies and labor representatives. The net pension cost of the pension plans is equal to the annual contribution determined in accordance with the provisions of negotiated labor contracts. Assets contributed to such pension are not segregated or otherwise restricted to provide benefits only to the Tyree’s employees. The risks of participating in these multi-employer pension plans are different from single-employer plans in the following aspects: 1) assets contributed to the multi-employer pension plan by one employer may be used to provide benefits to employees of other participating employers; 2) if a participating employer stops contributing to the plan, the

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unfunded obligations of the plan may be borne by the remaining participant employers; and 3) if Tyree chooses to stop participating in some of its multi-employer pension plans, Tyree may be required to pay those plans an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability. See Note 2

CONTINGENCIES/LEGAL MATTERS:

ESI

The Volkl Tennis ("Volkl") license agreement was terminated in September 2011 and concurrently the Strategic Alliance Agreement with Samsung America CT, Inc. ("Samsung") was also terminated. Volkl was awarded a \$400,000 judgement for royalty payment due under the license agreement. Epic Sports International, Inc. has ceased operating and as a result it is doubtful that Volkl will collect on its judgement.

TYREE

As of the date of this filing, Tyree management has negotiated settlements with Local Unions 25, 99, 138, 200 and 355.

On or about July 11, 2014, the Trustees of Union Local One commenced an action against Tyree Service Corp. for monies due for union benefits which it claimed were due and owing. Tyree Service Corp. has presented evidence to the union that the amount it seeks, in excess of \$430,000, is highly inflated and it awaits the Union's response. Tyree Service Corp. believes that not more than half of the amount claimed is in fact due and owing. A settlement offer of \$100,000 is awaiting approval by the Union.

Tyree management continues to negotiate with Local Unions 1, 25 and 200 over unpaid benefits that are due to each of the respective unions. Tyree management does not dispute that benefits are due and owing to each of the respective unions, however, settlement and payment plan discussions are ongoing. Local Unions 1 and 200 have each filed suit in the United States District Court Eastern District of New York to enforce their rights as to the unpaid benefits due and owing from Tyree, and as guarantor of certain amounts due and owing, Amincor, Inc. is also a named party in these lawsuits. Local Union 200 settled the aforementioned matter with an 18 month payout agreement in May 2014. Tyree defaulted on the payout agreement in June 2014. Tyree resumed making payments in January 2016. The settlement amount agreed to in May 2014 was for \$152,000, with \$25,000 to be paid at the execution of the settlement and \$127,000 to be paid in eighteen equal monthly installments of \$7,569 inclusive of interest at a rate of 9% per annum. The Company has accrued for this liability within accrued expenses and other current liabilities on the accompanying consolidated balance sheet.

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In January 2016, Local 200 filed a second lawsuit in the United States District Court Eastern District of New York, alleging additional benefits are due. Amincor, Inc. is also a named party in this lawsuit. Management has agreed to pay the union the amounts alleged due the union in the aggregate amount of \$318,935. A settlement agreement was agreed to requiring monthly payments of approximately \$7,569 for 51 months commencing February 1, 2016, which includes the settlement of the first and second lawsuit.

A variety of unsecured vendors have filed suit for non-payment of outstanding invoices totaling approximately \$3.6 million as of December 31, 2014, which are reflected as liabilities on the Company's consolidated balance sheet. Each of these actions is handled on a case by case basis, to determine the settlement and payment plan. A number of additional unsecured vendors have either threatened to or have filed suit for non-payment of outstanding invoices, recorded under accounts payable. Each of these matters, which occurred in the ordinary course of business, is handled on a case by case basis. As of December 31, 2014 and as of the date hereof no settlement or payment plans have been entered into with such vendors. Several of the claims may have been reduced to Judgment.

On or about May 25, 2013, the Directors of Union Local 25 commenced an action against Tyree Service Corp. for monies due for union benefits which it claimed were due and owing. The parties executed a settlement agreement in August 2015 wherein the balance due was agreed to be \$126,918 payable with \$10,000 due at the time of execution and \$116,918 payable in eighteen monthly installments of \$6,808 inclusive of interest at a rate of one percent over the prime rate but no less than 6% per annum. The Company has accrued for this liability within accrued expenses and other current liabilities on the accompanying consolidated balance sheet.

On or about August 29, 2013, All Safe Fire and Protection, Inc. commenced an action in Supreme Court, Westchester County against the Tyree Organization Ltd., Tyree Environmental Corp., Tyree Service Corp., Tyree Realty Co., LLC, Tyree Equipment Corp., Tyree Holdings Corp., Tyree Investments Co., LLC and Stephen Tyree for services rendered in the amount of \$236,818 plus interest and costs. The parties entered into a Stipulation of Settlement which provided that in event of default, All Safe could enter a default judgment against all defendants except Tyree Environmental Corp. The defendants defaulted and All Safe has entered a judgment against defendants the Tyree Organization Ltd., Tyree Service Corp., Tyree Realty Co., LLC, Tyree Equipment Corp., Tyree Holdings Corp., Tyree Investments Co., LLC and Stephen Tyree in the amount of \$244,670. The Company has accrued for this liability within accrued expenses and other current liabilities on the accompanying consolidated balance sheet.

On March 22, 2013, Fleetmatics USA, Inc. brought an action in the Supreme Court in the State of New York, County of Suffolk against Tyree Equipment Corp. and Tyree

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Services Corp. seeking \$313,176 plus interest and costs for services rendered. In June 26, 2013 a default judgment was entered against Tyree Equipment Corp. and Tyree Services Corp. in the amount of \$328,083. The Company has accrued for this liability within accrued expenses and other current liabilities on the accompanying consolidated balance sheet.

On March 3, 2013, American Express Travel related Services Company brought suit in the Supreme Court in the State of New York, County of Nassau against Tyree Holdings, Corp. seeking the sum of \$142,236 plus interest and cost for unpaid charges. American Express has taken no further action in the case and the matter is still pending. The Company has accrued for this liability within accrued expenses and other current liabilities on the accompanying consolidated balance sheet.

On or about July 2, 2014, Zurich American Insurance Company commenced an action against Tyree Holdings Corp. for an amount in excess of \$127,000 for deductible obligations due and owing on its commercial insurance policy. Judgment was entered in favor of the Plaintiff for \$127,769 on November 3, 2014. The Company has accrued for this liability within accounts payable on the accompanying consolidated balance sheet.

On or about September 5, 2014, Westchester Fire Insurance Company (“Westchester”) commenced an action against Tyree Service Corp., Tyree Environmental Corp., Tyree Holdings Corp., Amincor, Inc. and Tyree Equipment Corp. Westchester claimed it had sustained out-of-pocket losses to date of not less than \$308,979 consisting of payment bond losses (\$269,402); counsel fees and expenses (\$47,195) less a set off (\$7,618). This matter is being settled pursuant to the terms of an installment settlement. The Company has accrued for this liability within accounts payable on the accompanying consolidated balance sheet.

On or about September 25, 2014, National Union Fire Insurance. Co. commenced an action against Tyree Holdings Corp. in connection with the worker's compensation accrual in the amount of \$720,093 (outstanding premium). Tyree Holdings Corp. has disputed the rates assigned by the insurance company. An audit was performed on the account in November, 2015, and following the audit of the workman's compensation claim, it was determined that Tyree was due a refund from the insurance company. \$176,660 was refunded to Tyree in January 2016 as a result of the audit.

OTHER LITIGATION

On July 6, 2012, SFR Holdings, Ltd., Eden Rock Finance Master Limited, Eden Rock Asset Based Lending Master Ltd., Eden Rock Unleveraged Finance Master Limited, SHK Asset Backed Finance Limited, Cannonball Plus Fund Limited and Cannonball Stability Fund, LP (collectively, the “Plaintiffs”) commenced an action in the Supreme Court of the State of New York County of New York against Amincor, Inc., Amincor

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Other Assets, Inc., their officers and directors, John R. Rice III, Joseph F. Ingrassia and Robert L. Olson and various other entities affiliated with or controlled directly or indirectly by John R. Rice III and Joseph F. Ingrassia (collectively the “Defendants”). Plaintiffs allege that Defendants engaged in wrongful acts, including fraudulent inducement, fraud, breach of fiduciary duty, unjust enrichment, fraudulent conveyance and breach of contract. Plaintiffs sought compensatory damages in an amount in excess of \$150,000 to be determined at trial. By Order dated November 24, 2014, Amincor, Inc. and Amincor Other Assets, Inc. were dismissed from the case. All appeals were denied. There is a motion to dismiss the remaining claims pending.

On September 28, 2012, Sean Frost (“Frost”) filed a Complaint to Compel Arbitration Regarding Breach of Employment Contract and Related Breach of Labor Code Claims and For an Award of Compensatory Damages in the Superior Court of the State of California, County of San Diego against Epic Sports International Inc., Amincor, Inc. and Joseph Ingrassia. On or about February 24, 2015, the parties settled this action without payment by either party by execution of mutual releases.

On or about October 20, 2014, North Hill Funding of New York, LLC commenced an action in New York State Supreme Court, Westchester County, against Amincor Inc., and Amincor Other Assets, Inc., amongst others, seeking to set aside the transactions pursuant to which Amincor Other Assets, Inc. acquired title to the Imperia Family Trust Real Estate and seeking to permit the Plaintiff to execute against the property to satisfy a judgment it holds against Maiden & Madison Holdings, LLC, RIP Holdings V, LLC, Capstone Business Credit, LLC and Capstone Capital Group I, LLC.. Management has vigorously opposed the claims of the Plaintiff and has moved to dismiss the action. Their judgement has been vacated and a referee is currently reviewing testimony and evidence to determine if any further relief is available to North Hill or if the matter should be dismissed. These actions remain pending.

Other than noted above, the Company is not presently a party to any litigation, claim or assessment against it, and is unaware of any unasserted claim or assessment which will have a material effect on the financial position or future operations of the Company. No director, executive officer or affiliate of the Company or owner of record or beneficially of more than five percent of the Company’s common stock is a party adverse to the Company or has a material interest adverse to the Company in any proceeding.

18. Stockholders’ Deficiency

CONVERTIBLE PREFERRED STOCK

The Company, at its sole discretion, may at any time, or from time to time, redeem on a pro rata basis issued and outstanding preferred shares by paying the holders of preferred stock \$100 for each share redeemed. In the event of liquidation, dissolution, or winding

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up of the Company, the preferred shares are entitled to a payment of \$100 per share before any payment is made to, or set aside for, the holders of common shares.

Holders of convertible preferred shares are entitled to convert their shares into Class B common shares on the basis of 10 shares of common stock for each preferred share.

COMMON STOCK

The holders of both Class A and Class B common shares are entitled to dividends, if declared by the Board of Directors. However, no dividends can be paid on common stock until all shares of convertible preferred stock have been redeemed or converted into common stock. The holders of Class B common stock do not have any voting rights. In the event of liquidation, the holders of both classes are entitled to share ratably in all assets remaining after payment of all liabilities and any preferences on preferred stock that may be then outstanding. The common stockholders do not have any cumulative or preemptive rights.

On January 9, 2014, the Company issued 1,083,332 shares of Class A common shares to certain officers of the Company in exchange for \$130,000. On July 16, 2014 the Company issued 3,848,484 shares of Class A common shares to certain officers of the Company in exchange for \$127,000.

19. Share-Based Compensation

The Company does not have a formally adopted share-based compensation plan. Stock option grants have been made as determined by the Board of Directors.

During 2014, the Company's Board of Directors granted common stock Class A options to the President, the Vice-President and Interim Chief Financial Officer, certain management and employees of the Company, and certain officers and employees of its subsidiary companies, all at various exercise prices, based on the estimated fair value of the Company's share price on the publicly traded markets at the date of the grant. 50% of the options vest and become exercisable on the first anniversary of the grant date and the remaining 50% vest on the second anniversary of the grant date, provided that the individual is employed by the Company on the anniversary date.

The Company has computed the fair value of options granted using the Black-Scholes option pricing model. Option forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. This estimate will be adjusted periodically based on the extent to which actual option forfeitures differ, or are expected to differ, from the previous estimate, when it is material. The expected term used for warrants and options issued to non-employees is the contractual life and the expected term used for options issued to employees and directors is the estimated period of time that options granted are

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expected to be outstanding. The Company utilizes the “simplified” method to develop an estimate of the expected term of “plain vanilla” employee option grants. The Company is utilizing a volatility figure based on the trading activity of its own stock. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued. The following assumptions were used during the year ended December 31, 2014:

Expected life	4.5
Risk-free interest rate	1.0%
Expected volatility	145.9%
Dividend yield	-
Average forfeiture rate	15.2%

Share based compensation costs of approximately \$567,000 are reflected in selling, general and administrative expenses on the accompanying consolidated statement of operations for the year ended December 31, 2014.

The following table summarizes the Company’s stock options activity for the year ended December 31, 2014:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at January 1, 2014	5,731,372	\$ 1.21	2.75	\$ -
Granted	1,784,000	0.34	4.48	-
Exercised	-	-	-	-
Canceled, forfeited or expired	(1,031,254)	1.11	2.91	-
Options outstanding at December 31, 2014	<u>6,484,118</u>	<u>\$ 0.99</u>	<u>3.20</u>	<u>\$ -</u>
Options vested and exercisable at:				
December 31, 2014	<u>3,671,058</u>	<u>\$ 1.32</u>	<u>2.52</u>	<u>\$ -</u>

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2014:

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Options Outstanding			Options Exercisable		
Exercise Prices	Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Exercisable	Weighted Average Exercise Price
\$ 0.25	1,082,000	4.65	\$ 0.25	-	\$ -
0.50	1,096,000	3.99	0.50	264,000	0.50
0.65	330,000	3.00	0.65	330,000	0.65
1.00	1,798,121	3.40	1.00	899,061	1.00
1.13	330,000	2.75	1.13	330,000	1.13
1.21	319,890	2.50	1.21	309,890	1.21
1.29	309,890	2.29	1.29	319,890	1.29
1.73	653,890	1.79	1.73	653,890	1.73
1.88	311,000	1.25	1.88	311,000	1.88
2.80	253,327	1.00	2.80	253,327	2.80
<u>\$ 0.99</u>	<u>6,484,118</u>	<u>3.20</u>	<u>\$ 0.99</u>	<u>3,671,058</u>	<u>\$ 1.32</u>

As of December 31, 2014, the total compensation cost related to nonvested awards not yet recognized was approximately \$198,000 and will be amortized over a remaining weighted average period of 0.51 years.

20. Related Party Transactions

In addition to the factoring and lending arrangements the Company has entered into with the Capstone Funds disclosed above, the Company is a party to other related party transactions as follows:

MANAGEMENT FEE ARRANGEMENT

The Company has entered into an agreement with the Capstone Funds whereby the Capstone Funds reimburse the Company (specifically, the Amincor entity) \$25,000 per month for various general and administrative expenses, including salaries and rent expense. During the year ended December 31, 2014 the Capstone Funds remitted \$300,000 to the Company as such reimbursement. Amincor incurred rent expense of approximately \$564,000 and salary expense of approximately \$1.8 million during the year ended December 31, 2014.

COMPENSATION ARRANGEMENTS

The Company has at will employment arrangements with its President and Vice-President and Interim Chief Financial Officer. During the year ended December 31,

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2014, combined salary expense to the President and Vice-President and Interim Chief Financial Officer was \$400,000. In addition, the Company reimbursed the President and Vice-President and Interim Chief Financial Officer approximately \$37,000 during the year ended December 31, 2014 for automobile expense.

As of December 31, 2014, the Company also has accrued \$433,332 of compensation expense to the Vice-President and Interim Chief Financial Officer for past services rendered to the Company. This amount is included in accrued expenses on the accompanying consolidated balance sheet.

21. Discontinued Operations

During 2011, Amincor discontinued the operations of Masonry, Tulare, and ESI. On April 1, 2013, Amincor sold the business of EQS to a former manager of the Company. See Note 1.

MASONRY

Masonry manufactured and distributed concrete and lightweight block to the construction industry and also operated a retail home center and showroom, where it sold masonry related products, hardware and building supplies to customers. Masonry's headquarters, showroom and operating facility were located in Pelham Manor, New York. The remaining assets relating to Masonry are further discussed in Note 7.

TULARE HOLDINGS

Tulare prepared and packaged frozen vegetables (primarily spinach), from produce supplied by growers, for the food service and retail markets throughout southern California and the southwestern United States. Tulare sold to retailers under a private label, and to food brokers and retail food stores under the Tulare Frozen Foods label. Tulare's headquarters and processing facility was located in Lindsay, California. The remaining assets relating to Tulare are further discussed in Note 10.

ESI

ESI was the worldwide licensee for the Volkl and Boris Becker Tennis brands. In 2010, ESI became the exclusive sales representative of Volkl and Becker products for Samsung C&T America, Inc. ESI sold their products domestically through retailers located throughout the United States, and internationally through International Distributors who would sell to retailers in their local markets and on-line retailers. ESI was headquartered in New York, New York.

EQS

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EQS formerly provided environmental and hazardous waste testing services in the Northeastern United States, and was headquartered in Farmingdale, New York. Effective April 1, 2013, the Company discontinued and sold the operations of EQS pursuant to a stock purchase agreement as further disclosed in Note 8.

SUMMARY OF DISCONTINUED OPERATIONS

As a result of the above, the losses from Masonry, Tulare, EQS and ESI are included in the income (loss) from discontinued operations in the accompanying consolidated financial statements for the year ended December 31, 2014. Assets and liabilities related to discontinued operations are presented separately on the consolidated balance sheet as of December 31, 2014. Changes in net cash from discontinued operations are presented in the accompanying consolidated statement of cash flows for the year ended December 31, 2014.

The following amounts for the year ended December 31, 2014 related to Masonry, Tulare, EQS and ESI have been segregated from continuing operations and reported as discontinued operations as of December 31, 2014:

Results From Discontinued Operations:

Net revenues from discontinued operations	\$ -
Income from discontinued operations	\$ 490,641

Assets available for sale, which are recorded separately on the consolidated balance sheet, consists of two properties related to the Company's discontinued operations from Tulare as follows as of December 31, 2014:

Land and building – California	\$1,397,650
Land – New York	<u>300,000</u>
Total	\$1,697,650

Liabilities related to discontinued operations are presented separately on the consolidated balance sheet. The following is a summary of the liabilities of the discontinued operations as of December 31, 2014:

Accounts payable	\$ 3,437,009
Accrued expenses and other current liabilities	<u>1,056,033</u>
Total liabilities	<u>\$ 4,493,042</u>

On November 19, 2014, the Company entered into a contract for the sale of the Patchoque property (Land – New York) for \$495,000. Proceeds from the sale of this

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asset were received on January 9, 2015. As such, the gain on sale of asset of \$195,000 related to this transaction will be recognized during the year ended December 31, 2015.

22. Non-Controlling Interest

The Company reports non-controlling interest information as approximately 1% of Tyree's and 20% of ESI's common stock are not owned by the Company. The Company's Non-Controlling deficit is as follows:

	Year Ended December 31, <u>2014</u>
Beginning Balance - Non-Controlling Deficit	\$ (504,318)
Net loss attributable to Non-Controlling Interests	(64,789)
Ending Balance - Non-Controlling Deficit	<u>\$ (569,107)</u>

23. Operating Segments

The Company is organized into five operating segments: (1) Amincor, (2) AOA, (3) AWWT (4) BPI, and (5) Tyree. Each of the Company's subsidiaries is considered a separate segment. Segment information is as follows:

	December 31, <u>2014</u>
Total Assets:	
Amincor	\$ 285,222
AOA	7,797,650
AWWT	316,317
BPI	10,362,140
Tyree	736,442
Total assets	<u>\$ 19,497,771</u>

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	December 31, 2014
Total Other Intangible	
Assets:	
Amincor	\$ -
AOA	-
AWWT	-
BPI	-
Tyree	299,000
Total other intangible	
assets	\$ 299,000

	Year Ended December 31, 2014
Net Revenues:	
Amincor	\$ -
AOA	-
AWWT	511,342
BPI	4,248,596
Tyree	13,700,902
Net revenues	\$ 18,460,840

	Year Ended December 31, 2014
Net loss from continuing	
operations	
Amincor	\$ (3,018,155)
AOA	(1,114,668)
AWWT	(52,562)
BPI	(5,394,220)
Tyree	(5,417,415)
Net loss from continuing	
operations	\$ (14,997,020)

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	Year Ended December 31, 2014
Depreciation of Property and Equipment:	
Amincor	\$ -
AOA	-
AWWT	49,264
BPI	1,205,160
Tyree	454,805
Total depreciation of property and equipment	\$ <u><u>1,709,229</u></u>

	Year Ended December 31, 2014
Interest Expense - net:	
Amincor	\$ (252,456)
AOA	199,233
AWWT	-
BPI	1,785,470
Tyree	1,655,950
Total interest expense, net	\$ <u><u>3,388,198</u></u>

24. Concentrations of Credit Risk

The Company places its cash balances with various financial institutions which may at times exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Company believes its risk of loss is negligible, and as of December 31, 2014, the Company's cash balances did not exceed FDIC insurance limits.

25. Subsequent Events

On January 5, 2015, the Company authorized the issuance of a one year convertible promissory note to the President and the Vice-President and Interim Chief Financial Officer for \$58,000 each, or \$116,000 in aggregate. The promissory notes are convertible into restricted shares of the Company's Class A common stock pursuant to section 4(2) of the Securities Act of 1933, as amended at a conversion price of \$0.0225 per share which was the market price for the Company's Class A shares on January 5, 2014.

On June 30, 2015, Tyree Environmental Corp amended an agreement executed with Williamsburg Real Property, LLC wherein Williamsburg Real Property, LLC assumed all

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liability for payment of approximately \$1.2 million of liabilities residing on Tyree Environmental Corp.'s balance sheet.

On July 6, 2015, the Company authorized the issuance of a one year convertible promissory note to the President and the Vice-President and Interim Chief Financial Officer for \$57,750 each, or \$115,500 in aggregate. The promissory notes are convertible into restricted shares of the Company's Class A common stock pursuant to section 4(2) of the Securities Act of 1933, as amended at a conversion price of \$0.0225 per share which was the market price for the Company's Class A shares on July 6, 2015.

On December 16, 2015, the Company authorized the issuance of a one year convertible promissory note to the President and the Vice-President and Interim Chief Financial Officer for \$63,825 each, or \$125,650 in aggregate. The promissory notes are convertible into restricted shares of the Company's Class A common stock pursuant to section 4(2) of the Securities Act of 1933, as amended at a conversion price of \$0.0225 per share which was the market price for the Company's Class A shares on December 16, 2015.

On July 1, 2016, the Company authorized the issuance of a one year convertible promissory note to the President and the Vice-President and Interim Chief Financial Officer for \$64,862 each, or \$129,724 in aggregate. The promissory notes are convertible into restricted shares of the Company's Class A common stock pursuant to section 4(2) of the Securities Act of 1933, as amended at a conversion price of \$0.0225 per share which was the market price for the Company's Class A shares on July 1, 2016.

In August 2015 management concluded that Tyree was not profitable and discontinued operations as a result of loss of business from significant customers including Getty and a general decline in the demand for Tyree's services.

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements, except as disclosed.