

Alimco Financial Corporation
Balance Sheets
(unaudited)

	December 31,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 17,925,648	\$ 24,165,137
Restricted cash	4,000,000	1,000,000
Investments:		
Investments in equity securities - available-for-sale	3,361,016	3,350,782
Investments in debt securities - available-for-sale	7,219,872	6,405,678
Investments in debt securities - held-to-maturity - short-term	954,709	-
Investments in debt securities - held-to-maturity - long-term	1,919,764	2,869,011
Other Investments - lower of cost or fair market value	5,291,302	-
Deferred tax asset, net of valuation allowance	800,000	-
Other assets	1,040,276	483,434
TOTAL ASSETS:	<u><u>\$ 42,512,587</u></u>	<u><u>\$ 38,274,042</u></u>
LIABILITIES & SHAREHOLDERS' EQUITY:		
Liabilities:		
Income taxes payable	\$ 130,855	\$ 151,460
Total liabilities:	<u>130,855</u>	<u>151,460</u>
Commitments and contingencies	-	-
Shareholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 authorized, none issued		
Common stock, \$0.01 par value, 10,000,000 and 100,000,000 shares authorized, 3,226,706 and 33,047,882 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	412,223	412,223
Additional paid-in capital	193,601,854	194,546,805
Retained deficit	(84,540,908)	(89,688,347)
Less: Treasury stock, 817,441 and 8,174,407 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	(68,658,045)	(68,658,045)
Accumulated other comprehensive income:		
Net unrealized gains on investments	1,566,608	1,509,946
Total shareholders' equity:	<u><u>42,381,732</u></u>	<u><u>38,122,582</u></u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY:	<u><u>\$ 42,512,587</u></u>	<u><u>\$ 38,274,042</u></u>

The accompanying notes are an integral part of these financial statements

Alimco Financial Corporation
Statement of Operations
(unaudited)

	Year Ended December 31,	
	2017	2016
INCOME:		
Realized gain on securities	\$ 3,739,771	\$ 4,427,515
Interest and dividend income	511,107	1,610,471
Guaranty fee	771,832	434,531
Total income	<u>5,022,710</u>	<u>6,472,517</u>
OPERATING EXPENSES:		
General and administrative	<u>479,124</u>	<u>405,923</u>
Total operating expenses	<u>479,124</u>	<u>405,923</u>
Operating income	4,543,586	6,066,594
OTHER INCOME	61,054	78
Income before taxes	4,604,640	6,066,672
BENEFIT FROM (PROVISION FOR) INCOME TAXES	542,799	(151,460)
NET INCOME	<u><u>\$ 5,147,439</u></u>	<u><u>\$ 5,915,212</u></u>

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Alimco Financial Corporation
Notes to Unaudited Financial Statements

Alimco Financial Corporation's Significant Accounting Policies

Alimco Financial Corporation is a diversified asset manager that focuses on business financing solutions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period that they are determined to be necessary. These estimates include the realization of deferred tax assets and valuations associated with our short-term investments, among others. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid money market instruments with banks and financial institutions. We consider all highly liquid investments with maturity from the date of purchase of three months or less to be cash equivalents.

Restricted Cash

On April 22, 2016, the Company entered into a \$1.0 million limited guaranty agreement on behalf of a third-party which originally terminated on April 30, 2018. On June 1, 2017, the guaranty agreement was amended increasing the limited guaranty agreement amount to \$4.0 million, on behalf of the same third-party, which matures on April 20, 2019. The \$4.0 million guaranty is subject to a pledge agreement and held in an interest-bearing pledge account.

Investments

Management determines the appropriate categorization of investment securities at the time of purchase and re-evaluates such designation as of each balance sheet date. At December 31, 2017, investments were reported at either cost or estimated fair market value with the related unrealized gains and losses included in stockholders' equity. Realized gains and losses and declines in value of securities judged to be other than temporary, are included in the Statement of Operations. An other than temporary impairment is triggered when (1) an entity has the intent to sell a security, (2) it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, or (3) the entity does not expect to recover the entire amortized cost basis of the security.

Fair value

Our estimate of fair value represents the price at which a transaction would occur between market participants at the measurement date. In situations in which there is little, if any, market activity for an asset at the measurement date, the fair value measurement objective remains the same, that is, the price that would be received by the holder of the financial asset in an orderly transaction (an exit price notion) that is not a forced liquidation or distressed sale at the measurement date. The carrying amount reported

in the balance sheet for cash, other assets, and accounts payable approximates fair value because of the immediate or short-term maturity of these financial instruments.

Concentration of Risk

"Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash. Cash is deposited with one major bank in the United States that exceeds federally insured limits. We actively monitor the on-going credit worthiness of the financial institution as part of our risk management policies. We have not experienced any significant losses due to this concentration, nor do we expect any significant losses in the future."

Stock Split

Effective May 31, 2017, the Company effectuated a 1-for-10,000 share reverse stock split of its common stock (the "Reverse Split") which was immediately followed by a 1,000-for-1 share forward stock split (the "Forward Split"). All record stockholder accounts holding less than 10,000 shares of common stock immediately prior to the effective time of the Reverse Split received a cash payment of \$1.21 per common share on a pre-split basis in lieu of receiving a fractional share of common stock. Any fractional shares of common stock existing after the Forward Split were rounded up to the next full share.