GUNTHER INTERNATIONAL LTD.

CONSOLIDATED
FINANCIAL STATEMENTS

Years Ended March 31, 2017 and 2016

GUNTHER INTERNATIONAL LTD.

March 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors and Stockholders
Gunther International Ltd.

We have audited the accompanying consolidated financial statements of Gunther International Ltd. and subsidiary, which comprise the consolidated balance sheets as of March 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 audits. We conducted our audits 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 Gunther International Ltd. and subsidiary as of March 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for presenting deferred income tax assets and liabilities as a result of the early adoption of the amendment to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standard Update No. ASU 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*, effective March 31, 2017. Our opinion is not modified with respect to that matter.

CohnReznick LLP

Hartford, Connecticut
June 16, 2017

GUNTHER INTERNATIONAL LTD.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)

	March 31, 2017	March 31, 2016
Assets		
Current assets:		
Cash	$ 573	$ 1,895
Accounts receivable, less allowance of $88 in 2017 and $180 in 2016	2,663	2,725
Inventories	5,861	4,991
Prepaid expenses	364	335
Total current assets	9,461	9,946
Equipment and leasehold improvements:		
Machinery and equipment	1,993	2,048
Furniture and fixtures	429	426
Leasehold improvements	233	233
	2,655	2,707
Accumulated depreciation and amortization	(2,051)	(2,030)
	604	677
Patents, net of amortization of $107 in 2017 and $101 in 2016	18	7
Deferred income taxes	2,781	2,777
Total assets	$ 12,864	$ 13,407
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,695	$ 1,094
Accrued expenses	1,754	1,552
Deposits on systems contracts	803	623
Deferred service contract revenue	1,738	2,808
Accrued interest due to Gunther Partners LLC - a related party	224	545
Current portion of note payable to Gunther Partners LLC – a related party	-	200
Current portion of capital lease obligation	6	15
Total current liabilities	6,220	6,837
Notes payable to Gunther Partners LLC- a related party	3,400	3,400
Capital lease obligation, less current portion	5	12
Total long-term liabilities	3,405	3,412
Total liabilities	9,625	10,249
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, $.001 par value: 500,000 shares authorized; none issued	-	-
Common stock, $.001 par value: 32,000,000 shares authorized; 19,767,435 shares issued and outstanding	20	20
Additional paid-in capital	19,951	19,951
Accumulated deficit	(16,732)	(16,813)
Total stockholders' equity	3,239	3,158
Total liabilities and stockholders' equity	$ 12,864	$ 13,407

See accompanying notes.

GUNTHER INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share data)

	Years Ended March 31,	
	2017	2016
Sales:		
Systems	$ 7,724	$ 12,410
Maintenance	13,699	14,978
Supplies	5,613	4,254
Total sales	27,036	31,642
Cost of sales:		
Systems	5,488	8,765
Maintenance	10,607	11,580
Supplies	4,190	3,215
Total cost of sales	20,285	23,560
Gross profit	6,751	8,082
Operating expenses:		
Selling and administrative	5,222	5,336
Research and development	1,409	1,237
Total operating expenses	6,631	6,573
Operating income	120	1,509
Interest expense	24	21
Interest income	-	(2)
Income before income taxes	96	1,490
Income taxes	15	638
Net income	$ 81	$ 852
Basic and diluted net income per share	$ 0.00	$ 0.04
Weighted-average number of common shares outstanding	19,767,435	19,767,435

See accompanying notes.

GUNTHER INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended March 31, 2017 and 2016
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, April 1, 2015	19,767,435	$ 20	$ 19,951	$ (17,665)	$ 2,306
Net income	-	-	-	852	852
Balance, March 31, 2016	19,767,435	20	19,951	(16,813)	3,158
Net income	-	-	-	81	81
Balance, March 31, 2017	19,767,435	$ 20	$ 19,951	$ (16,732)	$ 3,239

See accompanying notes.

GUNTHER INTERNATIONAL LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Years Ended March 31, 2017	Years Ended March 31, 2016
Operating activities:		
Net income	$ 81	$ 852
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	186	232
Deferred income taxes	(4)	660
Changes in operating assets and liabilities:		
Accounts receivable	62	(443)
Inventories	(824)	1,188
Prepaid expenses and other assets	(29)	24
Accounts payable	601	(924)
Accrued expenses	202	(309)
Accrued interest due to Gunther Partners, LLC - a related party	(321)	(680)
Deferred service contract revenue	(1,070)	(591)
Deposits on systems contracts	180	(403)
Net cash used in operating activities	(936)	(394)
Investing activities:		
Purchase of equipment and leasehold improvements	(153)	(162)
Capitalized patents	(17)	-
Net cash used in investing activities	(170)	(162)
Financing activities:		
Payments on notes payable to Gunther Partners, LLC – a related party	(200)	(400)
Payments on notes payable - other	-	(48)
Payments on capital leases	(16)	(33)
Net cash used in financing activities	(216)	(481)
Change in cash	(1,322)	(1,037)
Cash, beginning of year	1,895	2,932
Cash, end of year	$ 573	$ 1,895
Supplemental cash flow information:		
Cash paid for interest including $345 in 2017 and $700 in 2016 to related parties	$ 346	$ 721
Cash paid for income taxes	$ 27	$ 33
Supplemental disclosure of noncash investing and financing activities:		
Equipment financed with capital lease	$ -	$ 28
Equipment re-characterized as inventory	$ 46	$ 140

See accompanying notes.

GUNTHER INTERNATIONAL LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016
(Dollars in thousands, except per share data)

1. Business and Operations

The operations of Gunther International Ltd. and its wholly-owned subsidiary inc.jet, Inc. (together, the "Company") consist of two business segments: Mail Inserting and Ink Jet. The Mail Inserting segment designs, develops, assembles, markets and services high-speed systems that automatically assemble printed documents, fold, staple or bind the documents and insert completed documents into appropriate envelopes for mailing or other distribution. The Ink Jet segment designs, develops, markets and services ink jet imagers as well as sells product into the packaging industry emphasizing product traceability. The Company's products are dependent upon proprietary technology and require especially skilled engineers and technicians to design, enhance and produce them to meet customer needs. The Company operates from leased facilities located in Norwich, Connecticut.

The Company has performed a review of events subsequent from March 31, 2017 through June 16, 2017, the date these financial statements were available for issuance. As of June 16, 2017, the Company had signed contracts for additional systems sales approximating $851 compared to $1,772 as of March 31, 2017.

2. Accounting Policies

Principles of consolidation -

The accompanying consolidated financial statements include the accounts of Gunther International Ltd. and its wholly-owned subsidiary. All intercompany activity has been eliminated from the consolidated financial statements.

Cash -

Cash represents the amounts the Company has in accounts with a local banking institution. At times, cash deposits exceed federally insured limits.

Revenue recognition and accounts receivable -

The Company recognizes revenues net of applicable sales taxes and related costs under sales contracts for its high-speed assembly equipment upon customer acceptance. Related accounts receivable are recognized as billings are rendered under the terms of the sales contract. Accounts receivable for service contracts are recognized when billed and related revenue is recognized over the term of the contract; amounts applicable to future periods are deferred. Sales and related accounts receivable of ink jet imagers and consumables are recognized when the products are shipped and ownership transfers. No contract resulting in recognized revenue exists for a term greater than one year.

The Company had allowances for credit losses of $88 at March 31, 2017 and $180 at March 31, 2016. The Company evaluates the collectability of accounts receivable on an ongoing basis based on an assessment of the customers' current financial condition, general economic conditions and past experience. The Company ages its accounts receivable based on the due date. The credit losses have been within management's expectations.

Inventories -

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

2. Accounting Policies - continued

Equipment and leasehold improvements -

Equipment and leasehold improvements are stated at cost. Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the respective assets as follows: machinery and equipment - 3 to 7 years; and furniture and fixtures - 7 years. Amortization of leasehold improvements is computed over the useful life of the improvement or lease terms, whichever is shorter. Amortization of production tooling is computed using the straight-line method over the useful life of the product that the tooling was designed to produce. Fully-depreciated assets no longer used in operations are written off. Depreciation of equipment and amortization of leasehold improvements was $182 in 2017 and $229 in 2016.

Patents -

Initial patent costs are amortized over 10 years. Renewal and maintenance costs are expensed as incurred. Patent expense was $6 in 2017 and $3 in 2016. Future patent amortization is expected to be $4 for 2018, $3 for 2019, $2 for 2020 through 2023 and $1 for 2024 through 2026.

Shipping and handling costs -

Expenses associated with shipping and handling are included in cost of sales.

Research and development -

Expenses associated with research and development activities are expensed as incurred.

Foreign Exchange –

Some inventory items are purchased internationally from vendors whose financial transactions are accounted for in foreign currency. Increases or decreases in the value of the U.S. dollar compared to foreign currencies may negatively affect the value of these items in the Company's consolidated financial statements, even though their value has not changed in local currency. Expenses associated with foreign exchange are expensed as incurred. Such costs were not material for any period presented.

Sale and advertising costs -

Costs associated with sales, advertising and marketing activities are expensed as incurred. Such costs were not material for any period presented.

Product warranty -

The Company provides a warranty on each mail inserting system for a period of 90 days after installation. In addition, the Company provides a warranty of up to 12 months on standard ink jet imagers or a lifetime warranty on managed ink jet imagers. The warranty expense and reserve follows:

Balance, April 1, 2015	$	91
Accrual		114
Cost Incurred		(79)
Balance, March 31, 2016		126
Accrual		79
Cost Incurred		(57)
Balance, March 31, 2017	$	148

2. Accounting Policies - concluded

Income taxes -

Deferred income taxes are provided on temporary differences between the financial statement and income tax basis of assets and liabilities and on net operating loss and research and development tax credit carryforwards using enacted tax rates in effect in the years in which differences are expected to reverse. A valuation allowance is recorded for the amount of deferred income tax assets for which realization is not likely in the near term.

Effective March 31, 2017, the Company changed its method for presenting deferred income tax assets and liabilities as a result of the early adoption of the amendment to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standard Update No. ASU 2015-17, *Income Taxes: Balance Sheet Classification of Deferred Taxes*. As a result, deferred income tax assets and liabilities will no longer be classified as either current or long-term, but will always be classified as long-term. The 2016 consolidated balance sheet has been modified to conform to this change by reclassifying previously reported current deferred income tax assets of $1,271 to long-term deferred income tax assets. The adoption of ASU 2015-17 did not have an effect on the Company's consolidated statements of operations.

Royalty expense -

The Company has royalty agreements with certain stockholders and The Solutions Group (see Note 10). Royalties due under these agreements are expensed as incurred.

Income per share -

Basic and diluted income per share amounts are determined using the weighted-average outstanding common shares for both years. In all periods presented, there are no outstanding potentially dilutive securities.

Use of estimates -

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are those related to the allowances for credit losses, slow moving and obsolete inventories and deferred income tax assets.

Fair value of financial instruments -

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The fair value hierarchy has three levels of inputs that may be used to measure fair value:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments include cash, accounts receivable, accounts payable, certain accrued expenses, and notes payable. Due to their relative short-term nature, the carrying amounts for accounts receivable, accounts payable and accrued expenses are estimated to approximate fair value. The fair value of notes payable and related accrued interest was estimated at $3,085 as of March 31, 2017 ($3,277 as of March 31, 2016) based on Level 3 inputs for expected cash flows and current market conditions. The aggregate carrying value of the notes payable and related accrued interest was $3,624 as of March 31, 2017 and $4,145 as of March 31, 2016.

3. Inventories

Inventories consist of:

	March 31, 2017	March 31, 2016
Materials and sub-assemblies	$ 4,233	$ 4,068
Work-in-process	929	202
Finished goods	699	721
	$ 5,861	$ 4,991

4. Capital Lease

The Company has capital leases for operating equipment, including three automobiles. The lease terms are 48 months and have interest rates ranging from 3.7% to 12.8%, and mature at varying dates through 2019. Future minimum lease payments as of March 31, 2017 follow:

2018	$ 6
2019	6
	12
Interest	(1)
Principal	11
Current portion	(6)
Long-term portion	$ 5

Equipment includes $25 as of March 31, 2017 ($73 as of March 31, 2016) recorded under capital leases. Related accumulated depreciation was $7 as of March 31, 2017 ($25 as of March 31, 2016).

5. Related Party Debt

The Company has notes payable to Gunther Partners LLC, the Company's principal stockholder, aggregating $3,400 as of March 31, 2017 and $3,600 as of March 31, 2016. All of the aggregate amounts outstanding as of March 31, 2017 are due December 31, 2018 and bear interest equal to the short-term Applicable Federal Rate as issued by the Department of the Treasury. The Company has accrued interest due to Gunther Partners LLC aggregating $224 and $545 as of March 31, 2017 and March 31, 2016, respectively. Interest is payable at any time on or before the maturity date of the notes without compounding; however the Company intends to continue to make payments against the outstanding accrued interest. Also, early payments of principal and interest are allowed without premium or penalty.

The Company accrued interest on the related party debt of $23 and $19 for 2017 and 2016, respectively. The Company paid interest of $345 and $700 for 2017 and 2016, respectively.

6. Related Party Transactions

The Company provided a system to a company controlled by a member of the Board of Directors. Labor and materials for repairs and maintenance to the system are billed to the customer and the processing fees for this system are billed on a per job basis. The Company recognized revenue of $11 and $0 in 2017 and 2016, respectively, and had a receivable of $4 and $0 in 2017 and 2016, respectively, from these transactions.

7. Debt

The Company had a note payable of $10 to Chelsea Groton Bank which bore interest at 5.5% to finance machining equipment, which was paid during 2016. Principal and interest were paid over the term of the note. The Company accrued and paid no interest in 2017 or 2016.

The Company also had a note payable of $38 to Chelsea Groton Bank which bore interest at 4.5% to finance machining equipment, which was paid during 2016. Principal and interest were paid over the term of the note. The Company accrued and paid $0 and $1 of interest on the loan in 2017 and 2016, respectively.

On June 5, 2014, the Company entered into a Commercial Revolving Loan Agreement that provided for a Demand Note (the "Note") of $1,000 with Citizens Bank, the financial institution which holds all of the Company's deposit accounts. Borrowings under the Note bear interest at 3.50% above the LIBOR Advantage Rate. The Note is to be used to finance working capital related to ongoing operations. Collateral for the note is substantially all of the Company's operating assets. Borrowings under the Note must be repaid on July 29, 2017, after an extension on June 15, 2017, or upon demand by Citizens Bank. Closing costs of this loan were $4.

8. Income Taxes

Income tax expense (benefit) follows:

	Year Ended March 31, 2017	Year Ended March 31, 2016
Current:		
Federal	$ -	$ 3
State	19	(25)
Deferred:		
Federal	(10)	519
State	6	141
Total income taxes	$ 15	$ 638

The difference between the income tax expense on the reported income before income taxes at the federal statutory rate, and the actual expense shown in operations is due to the effect of net operating losses, state income taxes, and changes in the deferred income tax valuation allowance.

Components of the Company's deferred income tax assets (liabilities) follows:

	March 31, 2017	March 31, 2016
Deferred income tax assets:		
Allowance for credit losses	$ 35	$ 72
Accrued liabilities	479	623
Deferred revenue	47	19
Inventories	582	557
Research credits	872	826
Other credits	78	38
Net operating loss carryforwards	1,096	917
	3,189	3,052
Deferred income tax liabilities:		
Property and equipment	(158)	(175)
Net deferred income tax assets before Valuation allowance	3,031	2,877
Valuation allowance	(250)	(100)
Net deferred income tax assets	$ 2,781	$ 2,777

8. Income Taxes – concluded

An income tax valuation allowance has been created for credits that are not believed to be recognizable. The valuation allowance increased $150 and $0 for the years 2017 and 2016, respectively.

At March 31, 2017, the Company had federal net operating loss carryforwards of $3,643 that begin to expire in 2022. At March 31, 2017, the Company had state net operating loss carryforwards in various states of $2,837 that expire in varying amounts to 2022. As defined in Section 382 of the Internal Revenue Code, certain ownership changes limit the annual utilization of federal net operating losses and tax credit carryforwards. The Company believes that the Section 382 limitation from its previous ownership changes will result in the loss of $941 of the net operating losses resulting in net usable losses of $2,702 against future federal taxable income. The Company has not recognized any tax benefits associated with the net operating losses expected to be lost due to the Section 382 limitation. Research and development and other credit carryforwards of $1,049 are scheduled to expire in varying amounts to 2027.

The Company files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. 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 2014. The Company has no significant uncertain income tax positions. The Company recognizes interest and penalties associated with tax matters as part of the income tax provision and includes accrued interest and penalties with the related tax liability in the consolidated balance sheets.

9. Preferred Stock

The Board of Directors is authorized to determine the powers, preferences, rights and restrictions of the Company's Preferred Stock. At March 31, 2017 and 2016, there were no issued and outstanding shares of Preferred Stock.

10. Commitments and Contingencies

Leases -

The Company leases its office and manufacturing facility under an operating lease that provided for monthly rental, as renewed in 2012, of $23 through July 2016. In August 2016, the Company began utilizing a holdover provision under the current lease allowing for month-to-month occupancy at 150% of the current rental rate, or $35 monthly. Under this agreement, the Company is responsible for all operating costs including real estate taxes and maintenance. The Company also leases certain office equipment under operating lease agreements. Lease expense was $422 and $307 for 2017 and 2016, respectively.

As of March 31, 2017, future minimum payments under non-cancelable operating leases follow:

2018	$	22
2019		6
	$	28

Unconditional purchase obligations –

As of March 31, 2017, the Company has contracted to purchase goods from various vendors as follows:

2018	$	801
2019		39
	$	840

10. Commitments and Contingencies - concluded

Other commitments -

As of April 1, 2014, the Company had agreements with two founding stockholders whereby the Company was obligated to pay these individuals an annual royalty equal to 0.24% of total revenues up to an aggregate total of $2,920. For 2017 and 2016, royalty expense under these agreements was $66 and $77, respectively. The maximum remaining royalty that may be required to be paid to two founding stockholders, contingent upon the Company attaining certain revenues, is $1,533 at March 31, 2017.

The Company has a royalty agreement with The Solutions Group ("TSG"), designers of the Company's system operating software, "Champion." Under this agreement the Company pays a royalty of the greater of $20 per month or $10 per "Champion" system sold within a calendar year. The Company renewed this agreement on February 28, 2016 with an amendment to reduce the monthly minimum royalty payment to $12 per month as of July 2016. The Company records any additional royalty when it becomes probable and estimable. Royalty expense was $168 and $240 for 2017 and 2016, respectively.

Contingencies -

The Company is a party to legal proceedings arising in the ordinary course of business. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, operating results or cash flows.

11. Employee Benefit Plans

The Company has a defined contribution benefit plan (the "Plan") covering substantially all employees. The Plan is intended to comply with Section 401(k) of the Internal Revenue Code. Each year, eligible participants may elect to make salary reduction contributions on their behalf up to a maximum of 100% of pre-tax compensation or the annual maximum established by the Internal Revenue Service. Participants may also make voluntary after-tax contributions to the Plan. The Company can make contributions to the Plan at its sole discretion. There was no Company contribution expense in 2017 or 2016. The Company pays certain expenses of the Plan which are not material for any period presented.

12. Reportable Segments

The Company's operations consist of two business segments: Mail Inserting and Ink Jet. The Mail Inserting segment designs, develops, assembles, markets and services high speed systems that automatically assemble printed documents, fold, staple or bind the documents and insert completed documents into appropriate envelopes for mailing or other distribution. The Ink Jet segment designs, develops, markets and services ink jet imagers as well as sells product into the packaging industry emphasizing product traceability. Certain corporate, administrative, facilities and maintenance costs are allocated from the Mail Inserting segment to the Ink Jet segment. The allocation methodology was consistent between years.

Due to the nature of the Mail Inserting products, a significant portion of the segment's revenues are generally derived from a few customers, the majority of which are business property and casualty insurance companies. In 2017, one customer in the Mail Inserting Systems segment accounted for 11% of total company revenues while in 2016, no customers in the Mail Inserting Systems segment accounted for 10% of total company revenues. No other customers accounted for 10% or more of the total company revenues.

The Company's Ink Jet segment is based on a cross licensing agreement with a vendor. That agreement allows the segment and the vendor to use each other's ink jet technology. If that vendor changed the technology or this licensing relationship it could significantly affect the segment's business. Purchases from a vendor utilizing this technology accounted for 16% of total company cost of sales in fiscal year 2017 and 11% in fiscal year 2016.

12. Reportable Segments - concluded

The following summarizes the operations of the Company's operating segments:

	2017	2016
Sales:		
Sales to customers:		
Mail Inserting	$ 16,499	$ 22,527
Ink Jet	10,599	9,153
Elimination	(62)	(38)
	$ 27,036	$ 31,642
Sales by geographic region:		
United States	$ 23,671	$ 28,622
Foreign	3,427	3,058
Elimination	(62)	(38)
	$ 27,036	$ 31,642
Income/(loss) before income taxes:		
Mail Inserting	$ (1,138)	$ 482
Ink Jet	1,258	1,027
Operating income	120	1,509
Interest expense, net	(24)	(19)
	$ 96	$ 1,490
Identifiable assets:		
Mail Inserting	$ 3,635	$ 5,624
Ink Jet	5,101	3,798
	8,736	9,422
General corporate	4,127	3,985
	$ 12,864	$ 13,407
Depreciation and amortization:		
Mail Inserting	$ 156	$ 207
Ink Jet	32	25
	$ 188	$ 232
Capital expenditures:		
Mail Inserting	$ 148	$ 115
Ink Jet	5	47
	$ 153	$ 162

13. Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. In the case where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial reporting, and assures that there are proper controls in place to ascertain that the Company's financial statements properly reflect the change.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue From Contracts with Customers*. ASU No. 2014-09 was updated by ASU No. 2015-14 in August 2015, which deferred the effective date of the new standard to fiscal years beginning after December 15, 2017. The purpose of this new standard is to clarify the principles for recognizing revenue so that the standard can be applied consistently across various transactions, industries and capital markets. ASU No. 2014-09 was updated by ASU No. 2016-08, *Principal versus Agent Considerations*, in March 2016, by ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, as well as other updates that address certain narrow-scope matters and practical expedients. We have not completed our assessment of ASU No. 2014-09 and the related updates; however we do not expect it will have a material impact on our results.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*. The purpose of this standard is to mandate that lessees recognize the assets and liabilities that arise from leases.

For finance leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
2. Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income
3. Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows.

For operating leases, a lessee is required to do the following:

1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis
3. Classify all cash payments within operating activities in the statement of cash flows.

The Company is required to adopt ASU No. 2016-02 in its interim period beginning April 1, 2019. Upon adoption, the Company will recognize the asset and liability associated with each lease on its consolidated balance sheet and reflect payments on the consolidated statement of cash flows. The Company has not completed its assessment of ASU No. 2016-02, but there will be no impact on net income.

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments.* The purpose of this statement is to address eight specific cash flow issues with the objective of reducing the existing diversity of practice. The Company is currently compliant with the provisions of this pronouncement as far as the Company is affected.