Parry America, Inc.

Financial Statements
Years Ended March 31, 2018 and 2017

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Contents

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Independent Auditor's Report

To Management
Parry America, Inc.
Irving, Texas

We have audited the accompanying financial statements of Parry America, Inc., which comprise the balance sheets as of March 31, 2018 and 2017, and the related statements of income and retained earnings, 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Parry America, Inc. as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

BDO USA, LLP
Certified Public Accountants
April 16, 2018

Financial Statements

Parry America, Inc.

Balance Sheets

March 31,	**2018**	2017
Assets		
Current:		
Cash	**$ 709,124**	$ 665,364
Accounts receivable – trade	**3,796,969**	2,334,992
Accounts receivable – related party	**—**	7,570
Inventories	**2,041,207**	1,908,092
Prepaid expenses	**99,552**	34,624
Income tax receivable	**84,976**	—
Total current assets	**6,731,828**	4,950,642
Notes receivable – related party	—	555,255
Property and equipment:		
Office equipment	**11,586**	9,864
Vehicle	**78,700**	42,500
	90,286	52,364
Less: accumulated depreciation	**(54,162)**	(48,238)
Total property and equipment, net	**36,124**	4,126
	$ 6,767,952	$ 5,510,023
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	**$ 54,644**	$ 5,128
Accounts payable – related party	**3,443,660**	2,662,586
Accrued expenses	**369,072**	272,745
Income tax payable	**—**	186,773
Total current liabilities	**3,867,376**	3,127,232
Commitments (Note 5)		
Stockholder's equity:		
Common stock, $100 par value, 1,500 shares authorized, 776.48 shares issued and outstanding	**77,648**	77,648
Retained earnings	**2,822,928**	2,305,143
Total stockholder's equity	**2,900,576**	2,382,791
	$ 6,767,952	$ 5,510,023

See accompanying notes to financial statements.

Parry America, Inc.

Statements of Income and Retained Earnings

Year Ended March 31,	**2018**	2017
Sales	**$ 10,037,021**	$ 8,525,123
Cost of sales	**8,486,272**	6,964,573
Gross profit	**1,550,749**	1,560,550
Selling, general and administrative expenses:		
Marketing and advertising	**123,079**	137,207
Salaries and wages	**279,905**	126,399
Insurance	**62,582**	74,107
Professional fees	**84,643**	73,806
Travel	**107,615**	55,673
Licenses and permits	**44,704**	42,502
Rent	**13,885**	29,011
Payroll taxes and fees	**23,738**	12,342
Research and development	**4,050**	20,316
Dues and subscriptions	**11,054**	13,157
Depreciation and amortization	**5,925**	9,709
Auto	**8,712**	8,874
Communications	**5,892**	5,368
Office	**21,615**	3,270
Bank service charges	**4,153**	2,206
Postage	**2,675**	2,008
Meals and entertainment	**2,238**	1,286
Total selling, general and administrative expenses	**806,465**	617,241
Operating income	**744,284**	943,309
Other income (expense):		
Interest expense	**(2,500)**	(9,668)
Interest income	**26,222**	34,071
Other income, net	**(105)**	4,935
Total other income, net	**23,617**	29,338
Income before income taxes	**767,901**	972,647
Income tax expense	**(250,116)**	(246,005)
Net income	**517,785**	726,642
Retained earnings, beginning of the year	**2,305,143**	2,078,501
Dividend distribution	—	(500,000)
Retained earnings, end of the year	**$ 2,822,928**	$ 2,305,143

See accompanying notes to financial statements.

Parry America, Inc.

Statements of Cash Flows

Year Ended March 31,	**2018**	2017
Cash flows from operating activities:		
Net income	**$ 517,785**	$ 726,642
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	**5,925**	9,709
Changes in operating assets and liabilities:		
Accounts receivable - trade	**(1,461,977)**	549,416
Inventories	**(133,115)**	(163,851)
Prepaid expenses	**(64,928)**	6,999
Accounts payable	**49,516**	(22,049)
Accounts payable – related party	**730,424**	184,303
Accrued expenses	**146,977**	52,863
Income tax payable	**(271,749)**	100,370
Net cash provided by (used for) operating activities	**(481,142)**	1,444,402
Cash flows from investing activities:		
Purchases of property and equipment	**(37,923)**	—
Cash flows from financing activities:		
Dividend distribution	—	(500,000)
Payments on line of credit	—	(843,850)
Collections on notes receivable – related party	**562,825**	80,835
Interest receivable – related party	**—**	3,280
Net cash used for financing activities	**562,825**	(1,259,735)
Net increase in cash	**43,760**	184,667
Cash, beginning of year	**665,364**	480,697
Cash, end of year	**$ 709,124**	$ 665,364
Supplemental disclosure of cash flow information:		
Interest paid	**$ 2,500**	$ 13,268
Income taxes paid	**$ 521,865**	$ 235,635

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Nature of Operations

Parry America, Inc. (the “Company”) was incorporated on December 14, 2000 under the laws of the State of Delaware, and is a wholly-owned subsidiary of E.I.D. Parry (India), Ltd. (the “Parent”). The Company was formed to establish and grow the Parent’s organic natural pesticide product business in the United States of America, Canada, Mexico, the Caribbean, Central America and South America. The Company develops organic pest control products for agriculture, turf, and home and garden applications.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, shipment has occurred, customers take ownership and assume the risk of loss, price is fixed or determinable, and collectability is reasonably assured. There are no continuing performance obligations by the Company subsequent to shipment of the product.

Concentrations and Credit Risk

The Company’s financial instruments that are exposed to concentrations of credit risk consist of cash placed with federally insured financial institutions. Such accounts may at times exceed federally insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Company has not experienced any losses on such accounts.

The Company had four customers that accounted for approximately 45%, 21%, 17%, and 11% of total revenues, respectively, for the year ended March 31, 2018. These customers accounted for approximately 42%, 9%, 45%, and 0% of accounts receivable – trade, respectively, at March 31, 2018.

The Company had three customers that accounted for approximately 52%, 18%, and 16% of total revenues, respectively, for the year ended March 31, 2017. These customers accounted for approximately 64%, 10% and 15% of accounts receivable – trade, respectively, at March 31, 2017.

Accounts Receivable

The Company sells its products on credit terms that the Company establishes for each customer. Trade receivables are recorded upon recognition of sales based upon the date the customer takes ownership of the product. Management’s determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions and other risks inherent in the accounts receivable portfolio. Accounts are written off when they are determined to be uncollectible. As of March 31, 2018 and 2017, management determined accounts receivable were fully collectible and an allowance for doubtful accounts was not recorded.

Inventories

Inventories consist primarily of formulated and non-formulated pesticide product, Neemazal Technical. Inventory is stated at the lower of cost (first-in, first-out) or market. A reserve is recorded for any inventories deemed excessive or obsolete. The Company recorded no inventory reserve at March 31, 2018 and 2017, respectively.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the useful lives of the assets. Useful lives range from 2 to 10 years. Maintenance and repairs are charged to expense as incurred. The carrying amount and accumulated depreciation of assets sold or retired are removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Impairment of Long Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There was no impairment of long-lived assets during the years ended March 31, 2018 and 2017.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes resulting from temporary differences. Such temporary differences result from differences in the carrying value of assets and liabilities for tax and financial reporting purposes. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company does not have any significant deferred tax assets or liabilities at March 31, 2018 and 2017.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

On December 22, 2017, the Tax Cuts & Jobs Act (the "Tax Reform Act") was enacted. The Tax Reform Act reduced certain Federal corporate income tax rates effective January 1, 2018, and changed certain other provisions. Accounting guidance requires the Company to revalue its deferred tax assets (DTAs) and deferred tax liabilities (DTLs) on the date of tax law enactment using the new enacted tax rate of 21%.

The FASB has announced they will follow SAB 118, which allows companies to recognize the cumulative impact of a measurement period adjustment (including the impact on prior periods) in the reporting period in which the adjustment is identified. The Company will apply SAB 118 and continue to refine the measurement of its net deferred tax balance on December 22, 2017, during the preparation of its 2017 tax return as additional guidance and information becomes available.

Use of Estimates

The preparation of 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.

Fair Value of Financial Instruments

The Company reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

> Level 1 – Valuation based on adjusted quoted prices in active markets for identical assets or liabilities.
>
> Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.
>
> Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, accounts payable, accrued expenses and income tax payable. The fair value of the Company's notes receivable and line of credit is estimated based on current rates that would be available for assets and liabilities of similar terms which is not significantly different from its stated value.

The Company does not have any financial assets or liabilities measured at fair value on a recurring basis.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). The new standard allows for early adoption for annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of its pending adoption of ASU 2014-09 on its financial statements and has not yet determined the method by which it will adopt the standard.

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

2. Related Party Transactions

Accounts receivable – related party relates to reimbursements due from the Parent.

Accounts Payable – Related Party

The Company purchases its products for resale from the Parent on terms generally similar to those prevailing with unrelated parties. Approximately 93% of the Company’s purchases for each of the years ended March 31, 2018 and 2017, were from the Parent. At March 31, 2018 and 2017, the Company owed approximately $3,393,010 and $2,616,000, respectively, to the Parent related to such purchases.

In 2014, the Company entered into an arrangement to pay commission to a third party, related through common ownership by the Parent, based on sales made in the Brazilian market. At March 31, 2018 and 2017, the Company owed the related party $50,650 and $46,650, respectively.

Notes Receivable – Related Party

In November 2013, the Company advanced a total of $650,000 to U.S. Nutraceuticals, LLC, a related party through common ownership. In exchange, the Company received two unsecured promissory notes for $300,000 and $350,000. Interest accrued on the notes at a rate of 6% per annum, increasing to 12.00%, or the maximum rate permitted by applicable law, whichever is less, should U.S. Nutraceuticals, LLC default on the notes. These notes were repaid during fiscal 2018.

3. Line of Credit

In September 2017, the Company obtained a revolving line of credit with a bank for maximum borrowings of $1,000,000. The line bears interest at the bank's prime rate plus .5% (5.25% at March 31, 2018). The line is secured by accounts receivables of the Company, is guaranteed by the Company's CEO, and matures on June 8, 2018. During the year ended March 31, 2018, there were no borrowings made on the line of credit and at March 31, 2018, there were no amounts outstanding. At March 31, 2017, the Company had a line of credit with a different bank which expired on May 31, 2017, and there were no borrowings made on this line during the year ended March 31, 2017, and no balance outstanding at March 31, 2017.

4. Income Taxes

Income tax expense consists of the following:

For the Year Ended March 31,	**2018**	2017
Current:		
Federal	**$ 205,000**	$ 229,028
State	**45,116**	16,977
Total income tax expense	**$ 250,116**	$ 246,005

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred tax assets are recorded to reflect deductible temporary differences and operating loss carry forwards while deferred tax liabilities are recorded to reflect taxable temporary differences. The Company did not have any significant deferred tax assets or liabilities as of March 31, 2018 and 2017.

5. Commitments

The Company rents office space under an operating lease that expires in 2023, with an option to terminate the lease without penalty in 2021. Future minimum lease payments under this lease are as follows:

Year Ending March 31,		
2019	$	19,268
2020		19,810
2021		20,351
2022		20,893
2023		8,799
	$	89,121

6. Subsequent Events

The Company has evaluated events and transactions occurring subsequent to March 31, 2018 as of April 16, 2018, which is the date the financial statements were issued. Subsequent events occurring after April 16, 2018 have not been evaluated by management. No material events have occurred since March 31, 2018 that require recognition or disclosure in the financial statements.