
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K/A

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): **November 2, 2017 (October 2, 2017)**

MCBC Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-37502
(Commission
File Number)

06-1571747
(IRS Employer
Identification No.)

100 Cherokee Cove Drive
Vonore, Tennessee
(Address of Principal Executive Offices)

37885
(Zip Code)

(423) 884-2221
(Registrant's telephone number, including area code)

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425).
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12).
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

On October 2, 2017, MCBC Holdings, Inc., a Delaware corporation (the "Company" or the "Purchaser") acquired all of the outstanding membership interests and other equity securities of Nautic Star, LLC, a Mississippi limited liability company ("Nautic Star") from its existing members (collectively, the "Sellers") pursuant to a membership interest purchase agreement, dated as of October 2, 2017 (the "Membership Interest Purchase Agreement"), by and among the Purchaser, Nautic Star, the Sellers and each of the other parties thereto (the "Acquisition").

This Amendment No.1 to the Current Report on Form 8-K/A (“[Amendment No. 1](#)”) amends and supplements Item 9.01 of the original Current Report on Form 8-K filed by the Company on October 2, 2017 (the “[Initial Form 8-K](#)”) to provide certain historical financial statements for Nautic Star and certain pro forma financial information in connection with the Acquisition. Any information required to be set forth in the Initial Form 8-K that is not being amended or supplemented pursuant to this Amendment No. 1 is hereby incorporated by reference. Except as set forth herein, no modifications have been made to the information contained in the Initial Form 8-K and the Company has not updated any information contained therein to reflect the events that have occurred since the date of the Initial Form 8-K. Accordingly, this Amendment No. 1 should be read in conjunction with the Initial Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

1. The consolidated financial statements of Nautic Star, LLC as of and for each of the fiscal years ended December 31, 2016 and 2015, together with the notes thereto and the report of independent public accounting firm thereon, are filed as Exhibit 99.1 to this Amendment No. 1 to Current Report on Form 8-K/A and are incorporated herein by reference.
2. The consolidated financial statements of Nautic Star, LLC as of and for each of the fiscal years ended December 31, 2015 and 2014, together with the notes thereto and the report of independent public accounting firm thereon, are filed as Exhibit 99.2 to this Amendment No. 1 to Current Report on Form 8-K/A and are incorporated herein by reference.
3. The unaudited financial statements of Nautic Star, LLC as of June 30, 2017 and for each of the six months ended June 30, 2017 and 2016, together with the notes thereto, are filed as Exhibit 99.3 to this Amendment No. 1 to Current Report on Form 8-K/A and are incorporated herein by reference.

(b) *Pro Forma* Financial Information.

1. Unaudited *pro forma* condensed combined balance sheet as of June 30, 2017 and unaudited statements of operations for the year ended June 30, 2017, each giving effect to the acquisition of Nautic Star, LLC and related financing, and the notes thereto, are filed as Exhibit 99.4 to this Amendment No. 1 to Current Report on Form 8-K/A and are incorporated herein by reference.

(d) Exhibits.

The following exhibits are being furnished as part of this report:

Exhibit No.	Description
2.1	Membership Interest Purchase Agreement, dated October 2, 2017 among MCBC Holdings, Inc., Nautic Star, LLC and each of the other parties thereto (incorporated herein by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K filed on October 2, 2017)
10.1	Third Amended and Restated Credit and Guaranty Agreement, dated October 2, 2017, by and among MasterCraft Boat Company, LLC, MasterCraft Services, Inc., MCBC Hydra Boats, LLC, MasterCraft International Sales Administration, Inc., Nautic Star, LLC, NS Transport, LLC and Navigator Marine, LLC as borrowers and other credit parties, various lenders and Fifth Third Bank as the agent and L/C issuer and lender (incorporated herein by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on October 2, 2017)
23.1	Consent of Franks, Franks, Jarrell & Wilemon, P.A., independent auditor for Nautic Star, LLC
99.1	Audited financial statements of Nautic Star, LLC & Subsidiaries as of and for each of the fiscal years ended December 31, 2016 and 2015, together with the notes thereto and the report of independent public accounting firm thereon
99.2	Audited financial statements of Nautic Star, LLC & Subsidiary as of and for each of the fiscal years ended December 31, 2015 and 2014, together with the notes thereto and the report of independent public accounting firm thereon
99.3	Unaudited financial statements of Nautic Star, LLC as of June 30, 2017 and for each of the six months ended June 30, 2017 and 2016, together with the notes thereto
99.4	Unaudited <i>pro forma</i> condensed combined balance sheet as of June 30, 2017 and unaudited statements of operations for the year ended June 30, 2017, each giving effect to the acquisition of Nautic Star, LLC and related financing, and the notes thereto

EXHIBIT INDEX

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[L/C issuer and lender \(incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 2, 2017\).](#)

- 23.1 [Consent of Franks, Franks, Jarrell & Wilemon, P.A., independent auditor for Nautic Star, LLC](#)
- 99.1 [Audited financial statements of Nautic Star, LLC & Subsidiaries as of and for each of the fiscal years ended December 31, 2016 and 2015, together with the notes thereto and the report of independent public accounting firm thereon](#)
- 99.2 [Audited financial statements of Nautic Star, LLC & Subsidiary as of and for each of the fiscal years ended December 31, 2015 and 2014, together with the notes thereto and the report of independent public accounting firm thereon](#)
- 99.3 [Unaudited financial statements of Nautic Star, LLC as of June 30, 2017 and for each of the six months ended June 30, 2017 and 2016, together with the notes thereto](#)
- 99.4 [Unaudited *pro forma* condensed combined balance sheet as of June 30, 2017 and unaudited statements of operations for the year ended June 30, 2017, each giving effect to the acquisition of Nautic Star, LLC and related financing, and the notes thereto](#)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MCBC HOLDINGS, INC.

Dated: November 2, 2017

/s/ Timothy M. Oxley

Timothy M. Oxley

Chief Financial Officer, Treasurer and Secretary

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CONSENT OF INDEPENDENT AUDITOR

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-212812) and Form S-8 (No. 333-205825) of MCBC Holdings, Inc. of our report dated September 20, 2017, relating to our audit of the financial statements of Nautic Star, LLC & Subsidiaries, as of and for the years ended December 31, 2016 and 2015, and our report dated September 19, 2017, relating to our audit of the financial statements of Nautic Star, LLC & Subsidiary, as of and for the years ended December 31, 2015 and 2014, included in this Current Report on Form 8-K/A.

/s/ Franks, Franks, Jarrell & Wilemon, P.A.

Fulton, Mississippi
November 2, 2017

FINANCIAL STATEMENTS
NAUTIC STAR, LLC & SUBSIDIARIES

Amory, Mississippi

Years Ended December 31, 2016 and 2015

Franks, Franks, Jarrell & Wilemon, P.A.
 Certified Public Accountants

NAUTIC STAR, LLC & SUBSIDIARIES

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Partners
 Gary Franks, CPA
 Greg Jarrell, CPA
 Bryon Wilemon, CPA
 Jonathan Hagood, CPA
 Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Partners of
 Nautic Star, LLC & Subsidiary
 Amory, Mississippi

We have audited the accompanying consolidated financial statements of Nautic Star, LLC., (a Mississippi Limited Liability Company) and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income and members' 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.

Auditors' 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 Nautic Star, LLC., and subsidiaries as of December 31, 2016 and 2015, 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.

Report on Consolidating and Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 12-15 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. The supplementary schedule on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

/s/ Franks, Franks, Jarrell & Wilemon, P.A.

Franks, Franks, Jarrell & Wilemon, P.A.
Fulton, Mississippi
September 20, 2017

NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,419,093	\$ 4,703,205
Accounts receivable - net	847,796	237,539
Other receivable	—	61,773
Inventories	4,142,346	3,348,965
Prepaid expenses	159,460	158,746
Total current assets	8,568,695	8,510,228
PROPERTY, PLANT, AND EQUIPMENT	6,883,982	5,940,706
Less: Accumulated depreciation	(3,425,711)	(2,809,069)
Total property, plant & equipment	3,458,271	3,131,637
OTHER ASSETS		
Bond issuance costs, net of accum. amort. of \$10,841 and \$10,038	1,204	2,007
Refundable deposits	1,110	1,111
Investment in association	5,000	5,000
Total other assets	7,314	8,118
TOTAL ASSETS	\$ 12,034,280	\$ 11,649,983

LIABILITIES AND MEMBERS' EQUITY**CURRENT LIABILITIES**

Accounts payable - trade	\$ 1,141,246	\$ 1,115,612
Accrued warranty reserve	1,860,343	1,722,783
Accrued repurchase liability	200,000	—
Other accrued expenses	432,603	518,935
Total current liabilities	3,634,192	3,357,330
MEMBERS' EQUITY	8,400,088	8,292,653
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 12,034,280	\$ 11,649,983

See accompanying notes to the consolidated financial statements.

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NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Years Ended December 31, 2016 and 2015

	2016	2015
REVENUE		
Net sales	\$ 63,721,243	\$ 56,523,508
Less: Cost of sales	52,882,252	46,975,616
GROSS PROFIT	10,838,991	9,547,892
Less: Selling, general and administrative expenses	4,611,671	3,701,152
INCOME FROM OPERATIONS	6,227,320	5,846,740
OTHER (INCOME)/EXPENSES		
Interest income	9,241	6,217
Other income (expenses)	898	3,852
Total other income (expenses)	10,139	10,069
NET INCOME	6,237,459	5,856,809
Members' equity at beginning of year	8,292,653	6,629,137
Member distributions	(6,130,024)	(4,193,293)
Members' equity at end of year	<u>\$ 8,400,088</u>	<u>\$ 8,292,653</u>

See accompanying notes to the consolidated financial statements.

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NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,237,459	\$ 5,856,809
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and Amortization	617,445	393,456
(Increase) decrease in:		
Accounts receivable	(610,257)	(106,354)
Other receivable	61,773	(61,773)
Inventories	(793,381)	288,770
Prepaid expenses	(714)	5,812
Increase (decrease) in:		
Accounts payable	25,634	(456,337)
Accrued expenses	251,228	490,144
Refundable deposits	1	—

Net cash provided by (used in) operating activities	5,789,188	6,410,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(943,276)	(1,131,168)
Net cash provided by (used in) investing activities	(943,276)	(1,131,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to members	(6,130,024)	(4,193,293)
Net cash provided by (used in) financing activities	(6,130,024)	(4,193,293)
INCREASE (DECREASE) IN CASH	(1,284,112)	1,086,066
CASH AT BEGINNING OF YEAR	4,703,205	3,617,139
CASH AT END OF YEAR	<u>\$ 3,419,093</u>	<u>\$ 4,703,205</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the consolidated financial statements.

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NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations — Nautic Star, LLC. (The Company) is engaged primarily in the manufacture, distribution and sale of recreational boats, engines and parts. The Company sells its products to retail dealers throughout the United States.

Basis of Consolidation — The consolidated financial statements include the accounts Navigator Marine, LLC. and NS Transport, LLC., both a wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition - The Company's revenue is derived primarily from the sale of boats, marine parts and accessories. Revenue is recognized in accordance with the terms of the sale, primarily upon shipment to customers, once the sales price is determinable and collectability is reasonably assured.

Dealer Incentives - The Company offers discounts and sales incentives that include retail promotions, rebates, and floor plan reimbursement costs that are recorded as reductions of revenues in net sales in the consolidated statements of operations. Dealer rebates and sales promotion incentives for the years ended December 31, 2016 and 2015 totaled \$515,563 and \$360,102, respectively.

Floor Plan Reimbursement Costs - The Company participates in various programs whereby it agrees to reimburse its dealers certain floor plan interest costs incurred by such dealers. Such costs are included as a reduction in net sales in the consolidated statements of operations and for the year ended December 31, 2016 and 2015 totaled \$63,933 and 57,785, respectively.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be "cash equivalent".

Receivables — The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Company's policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely. As of December 31, 2016 or 2015 the allowance account had a balance of \$0 and \$0, respectively.

Inventories - Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market and include material, labor and factory overhead. Inventories were as follows at year end:

	2016	2015
Raw materials and supplies	\$ 1,870,112	\$ 1,479,550
Work in process - boats	831,070	683,467
Finished goods - boats	67,384	132,591
Engines	1,128,327	843,747
Finished goods - trailers	12,537	15,461
In-Transit Inventory	232,916	194,149
Total	<u>\$ 4,142,346</u>	<u>\$ 3,348,965</u>

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Property, Plant and Equipment - Property, Plant and Equipment is stated at cost. Property, plant and equipment is depreciated over the estimated useful lives of the related assets using primarily the straight-line method. Depreciation expense for the years ended December 31, 2016 and 2015 was \$617,445 and \$393,456, respectively. Total fixed assets at December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 1,460,173	\$ 1,454,523
Building improvements	1,071,242	904,093
Autos and trucks	196,028	105,388
Fixtures and equipment	1,370,075	945,995
Molds	2,786,464	2,530,707
Total	\$ 6,883,982	\$ 5,940,706

Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income.

Investments in Associations — The Company owns 100 shares in a material purchasing association. The investment in this association is recorded at cost.

Income Taxes — Nautic Star, LLC is treated as a partnership for income tax purposes and as such, each member is taxed separately on their distributive share of the Company's income whether or not that income is actually distributed. Navigator Marine, LLC is considered a disregarded entity for income tax purposes and its net activity will be reported on Nautic Star, LLC's income tax returns.

Reserve for Warranty Obligations - The Company offers warranties on the sale of certain products for a period of up to 10 years and records an accrual for the estimated future claims. Such accruals are based upon historical experience and management's estimates of the level of future claims, and are subject to adjustment as actual claims are determined or as changes in the obligations become reasonably estimable. At December 31, 2016 and 2015, reserves in the amount of \$1,860,343 and \$1,722,783 have been established, respectively.

Freight Costs - The Company includes freight costs in costs of goods sold. Total freight and shipping costs included in costs of goods sold for the years ended December 31, 2016 and 2015 was \$1,736,022 and \$1,557,885, respectively.

Advertising Costs - The Company expenses all advertising costs in the period in which they are incurred. Advertising expense was \$189,124 and \$11,292 for the years ended December 31, 2016 and 2015, respectively.

Subsequent Events - Management has evaluated subsequent events through September 20, 2017, the date on which the financial statements were available to be issued.

NOTE 2 - PENSION PLAN

The Company has established a 401 (k) plan. All employees over the age of 18 and with six months of service are eligible to participate. The Company may make discretionary payments as well as discretionary matching of employees' contributions. Employees may elect to defer amounts according to the maximum allowed under Federal guidelines. For the years ended December 31, 2016 and 2015, discretionary matching contributions were \$25,757 and \$29,101, respectively.

NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Company maintains deposits that at times excess of federally insured limits. The risk associated with these uninsured funds is managed by maintaining all deposits in high quality financial institutions. At December 31, 2016 and 2015, deposits in excess of federally insured limits totaled \$3,617,488 and \$4,751,151, respectively.

The Company extends credit to its customers, a significant portion of which are in the recreational boat industry throughout the United States.

NOTE 4 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 relate to reserved warranty obligations (Note 1 and Note 9) and repurchase commitments (Note 8). These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10), requires disclosures about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of December 31, 2016 and 2015. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on the financial instruments.

Management has estimated the fair values of cash, receivables, accounts payable, accrued expenses and short-term borrowings to be approximately their respective carrying values reported on these statements because of their short maturities.

NOTE 6 — ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Trade accounts receivable	\$ 847,796	\$ 226,142
Accounts receivable-other	296,062	61,773
Due from employees	0	11,397
	1,143,858	299,312
Less: Receivable from consolidated entity	(296,062)	0
Less: Allowance for doubtful accounts	0	0
Total	<u>\$ 847,796</u>	<u>\$ 299,312</u>

NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 7 — CONCENTRATIONS

Total sales for the years ended December 31, 2016 and 2015 included sales to one major customer that accounted for 11% and 15% of the total consolidated net sales, respectively. This customer accounted for 11% and 0% of the consolidated net accounts receivable at December 31, 2016 and 2015, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company is party to floor plan repurchase agreements with several financial institutions. These agreements call for the repurchase of unsold inventory by the Company under certain circumstances outlined in the agreements. In the event that repurchase is deemed necessary, the new, unsold merchandise would be purchased by the Company for the amount due to the financial institutions. Normally, the amount due to the financial institutions would be the principal balance outstanding reduced by offsets for damages or misuse. The Company would then reacquire the merchandise and sell the merchandise through its normal distribution channels. The reserve for losses on potential repurchase commitments was \$200,000 and \$0 for the years ended December 31, 2016 and 2015, respectively.

NOTE 9 — WARRANTY RESERVE

The following summarizes the changes in the Company's aggregate liability under product warranties:

	2016	2015
Balance at beginning of period	\$ 1,722,783	\$ 1,453,650
Warranties accrued during the year	637,212	613,724
Settlements made during the period	(499,652)	(344,591)
Changes in adjustments, including expirations	0	0
Balance at end of period	<u>\$ 1,860,343</u>	<u>\$ 1,722,783</u>

NOTE 10 — RELATED PARTY TRANSACTIONS

The Company utilizes the services of Star Printing, Inc., whose sole shareholder is a 40% equity member of the Company.

Related party balances at December 31, 2016 and 2015 are as follows:

	2016	2015
Services and equipment purchased	\$ 158,963	\$ 148,689
Accounts payable	\$ 0	\$ 0

NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATED SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2016 and 2015

	2016	2015
Accounting & legal	\$ 100,532	\$ 100,969
Advertising and promotional	189,124	11,292
Automobile	35,383	34,333
Bank charges	697	371
Computer support	56,471	59,619
Consulting	—	700
Contributions	11,700	395
Depreciation	42,963	7,528
Dues & subscriptions	50,593	49,573
Employee relations	75,587	79,578
Insurance - other	211,449	150,048
Meals & entertainment	6,590	9,645
Miscellaneous	9,006	7,366
Office supplies	98,336	66,287
Payroll taxes	104,053	77,655
Pension plan expense	8,424	9,850
Postage	5,026	4,344
Research and development	254,348	204,635
Rent - equipment	11,133	8,615
Repairs and maintenance	516,365	264,775
Safety & security	186,152	35,128
Salaries - office & management	1,055,830	1,117,567
Sales commissions	1,251,858	1,180,159
Taxes & licenses	226,944	163,193
Telephone	25,171	15,616
Travel	46,527	24,175
Uniforms	31,409	17,736
Total	\$ 4,611,671	\$ 3,701,152

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NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATING BALANCE SHEETS
December 31, 2016 and 2015

	2016					2015				
	Nautic Star, LLC	NS Transport, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	\$ 3,225,753	\$ 192,308	\$ 1,032	\$ —	\$ 3,419,093	\$ 4,702,153	\$ 1,052	\$ —	\$ 4,703,205	
Accounts receivable - net	1,143,858	—	—	(296,062)	847,796	237,539	—	—	237,539	
Other receivables	—	—	—	—	—	61,773	—	—	61,773	
Inventories	4,142,346	—	—	—	4,142,346	3,348,965	—	—	3,348,965	
Prepaid expenses	159,460	—	—	—	159,460	158,746	—	—	158,746	
Total current assets	8,671,417	192,308	1,032	(296,062)	8,568,695	8,509,176	1,052	—	8,510,228	
PROPERTY, PLANT, AND EQUIPMENT										
Less: Accumulated depreciation	(3,390,711)	(35,000)	—	—	(3,425,711)	(2,809,069)	—	—	(2,809,069)	
Total property, plant & equipment	3,353,271	105,000	—	—	3,458,271	3,131,637	—	—	3,131,637	
OTHER ASSETS										
Bond issuance costs, net of accum. amort, of \$10,841 and \$10,038	1,204	—	—	—	1,204	2,007	—	—	2,007	
Refundable deposits	1,110	—	—	—	1,110	1,111	—	—	1,111	
Investment in association	5,000	—	—	—	5,000	5,000	—	—	5,000	
Total other assets	7,314	—	—	—	7,314	8,118	—	—	8,118	

TOTAL ASSETS	<u>\$12,032,002</u>	<u>\$ 297,308</u>	<u>\$ 1,032</u>	<u>\$ (296,062)</u>	<u>\$12,034,280</u>	<u>\$11,648,931</u>	<u>\$ 1,052</u>	<u>\$ —</u>	<u>\$11,649,983</u>
LIABILITIES AND MEMBERS' EQUITY									
CURRENT LIABILITIES									
Accounts payable - trade	\$ 1,140,854	\$ 392	\$ —	\$ —	\$ 1,141,246	\$ 1,115,612	\$ —	\$ —	\$ 1,115,612
Accrued warranty reserve	1,860,343	—	—	—	1,860,343	1,722,783	—	—	1,722,783
Accrued repurchase liability	200,000	—	—	—	200,000	—	—	—	—
Other accrued expenses	407,770	320,895	—	(296,062)	432,603	518,935	—	—	518,935
Total current liabilities	<u>3,608,967</u>	<u>321,287</u>	<u>—</u>	<u>(296,062)</u>	<u>3,634,192</u>	<u>3,357,330</u>	<u>—</u>	<u>—</u>	<u>3,357,330</u>
MEMBERS' EQUITY	<u>8,423,035</u>	<u>(23,979)</u>	<u>1,032</u>	<u>—</u>	<u>8,400,088</u>	<u>8,291,601</u>	<u>1,052</u>	<u>—</u>	<u>8,292,653</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$12,032,002</u>	<u>\$ 297,308</u>	<u>\$ 1,032</u>	<u>\$ (296,062)</u>	<u>\$12,034,280</u>	<u>\$11,648,931</u>	<u>\$ 1,052</u>	<u>\$ —</u>	<u>\$11,649,983</u>

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NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATING STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Years Ended December 31, 2016 and 2015

	2016					2015			
	Nautic Star, LLC	NS Transport, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals
REVENUE									
Net sales	\$63,721,243	\$ 700,040	\$ —	\$ (700,040)	\$63,721,243	\$56,523,508	\$ —	\$ —	\$56,523,508
Less: Cost of sales	52,974,681	607,611	—	(700,040)	52,882,252	46,975,616	—	—	46,975,616
GROSS PROFIT	10,746,562	92,429	—	—	10,838,991	9,547,892	—	—	9,547,892
Less: Selling, general and administrative expenses	4,495,243	116,408	20	—	4,611,671	3,701,152	—	—	3,701,152
INCOME (LOSS) FROM OPERATIONS	6,251,319	(23,979)	(20)	—	6,227,320	5,846,740	—	—	5,846,740
Interest income	9,241	—	—	—	9,241	6,217	—	—	6,217
Other income (expenses)	898	—	—	—	898	3,852	—	—	3,852
Total other income (expenses)	10,139	—	—	—	10,139	10,069	—	—	10,069
NET INCOME (LOSS)	6,261,458	(23,979)	(20)	—	6,237,459	5,856,809	—	—	5,856,809
Members' equity at beginning of year	8,291,601	—	1,052	—	8,292,653	6,418,085	211,052	—	6,629,137
Member distributions	(6,130,024)	—	—	—	(6,130,024)	(3,983,293)	(210,000)	—	(4,193,293)
Members' equity at end of year	<u>\$ 8,423,035</u>	<u>\$ (23,979)</u>	<u>\$ 1,032</u>	<u>\$ —</u>	<u>\$ 8,400,088</u>	<u>\$ 8,291,601</u>	<u>\$ 1,052</u>	<u>\$ —</u>	<u>\$ 8,292,653</u>

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NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016					2015			
	Nautic Star, LLC	NS Transport, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals
CASH FLOWS FROM OPERATING ACTIVITIES									

Net income (loss)	\$6,261,458	\$ (23,979)	\$ (20)	\$ —	\$6,237,459	\$5,856,809	\$ —	\$ —	\$5,856,809
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:									
Depreciation and Amortization	582,445	35,000	—	—	617,445	393,456	—	—	393,456
(Increase) decrease in:									
Accounts receivable	(906,319)	—	—	296,062	(610,257)	(106,354)	—	—	(106,354)
Other receivable	61,773	—	—	—	61,773	(61,773)	—	—	(61,773)
Inventories	(793,381)	—	—	—	(793,381)	288,770	—	—	288,770
Prepaid expenses	(714)	—	—	—	(714)	5,812	—	—	5,812
Increase (decrease) in:									
Accounts payable	25,242	392	—	—	25,634	(456,337)	—	—	(456,337)
Accrued expenses	226,395	320,895	—	(296,062)	251,228	490,144	—	—	490,144
Refundable deposits	1	—	—	—	1	—	—	—	—
Net cash provided by (used in) operating activities	5,456,900	332,308	(20)	—	5,789,188	6,410,527	—	—	6,410,527
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of property, plant and equipment	(803,276)	(140,000)	—	—	(943,276)	(1,131,168)	—	—	(1,131,168)
Net cash provided by (used in) investing activities	(803,276)	(140,000)	—	—	(943,276)	(1,131,168)	—	—	(1,131,168)
CASH FLOWS FROM FINANCING ACTIVITIES									
Distributions to members	(6,130,024)	—	—	—	(6,130,024)	(3,983,293)	(210,000)	—	(4,193,293)
Net cash provided by (used in) financing activities	(6,130,024)	—	—	—	(6,130,024)	(3,983,293)	(210,000)	—	(4,193,293)
INCREASE (DECREASE) IN CASH	(1,476,400)	192,308	(20)	—	(1,284,112)	1,296,066	(210,000)	—	1,086,066
CASH AT BEGINNING OF YEAR	4,702,153	—	1,052	—	4,703,205	3,406,087	211,052	—	3,617,139
CASH AT END OF YEAR	<u>\$3,225,753</u>	<u>\$ 192,308</u>	<u>\$ 1,032</u>	<u>\$ —</u>	<u>\$3,419,093</u>	<u>\$4,702,153</u>	<u>\$ 1,052</u>	<u>\$ —</u>	<u>\$4,703,205</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>									
Cash paid during the year for:									
Interest	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

NAUTIC STAR, LLC & SUBSIDIARIES
CONSOLIDATING SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2016 and 2015

	2016					2015			
	Nautic Star, LLC	NS Transport, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals
Accounting & legal	\$ 100,162	\$ 350	\$ 20	\$ —	\$ 100,532	\$ 100,969	\$ —	\$ —	\$ 100,969
Advertising and promotional	187,794	1,330	—	—	189,124	11,292	—	—	11,292
Automobile	35,383	—	—	—	35,383	34,333	—	—	34,333
Bank charges	697	—	—	—	697	371	—	—	371
Computer support	56,471	—	—	—	56,471	59,619	—	—	59,619
Consulting	—	—	—	—	—	700	—	—	700
Contributions	11,700	—	—	—	11,700	395	—	—	395
Depreciation	7,963	35,000	—	—	42,963	7,528	—	—	7,528
Dues & subscriptions	50,593	—	—	—	50,593	49,573	—	—	49,573
Employee relations	74,982	605	—	—	75,587	79,578	—	—	79,578
Insurance - other	176,661	34,788	—	—	211,449	150,048	—	—	150,048
Meals & entertainment	6,590	—	—	—	6,590	9,645	—	—	9,645
Miscellaneous	9,006	—	—	—	9,006	7,366	—	—	7,366
Office supplies	97,907	429	—	—	98,336	66,287	—	—	66,287
Payroll taxes	86,273	17,780	—	—	104,053	77,655	—	—	77,655

Pension plan expense	8,424		—	—	8,424	9,850	—	—	9,850
Postage	4,843	183	—	—	5,026	4,344	—	—	4,344
Research and development	254,348		—	—	254,348	204,635	—	—	204,635
Rent - equipment	11,133		—	—	11,133	8,615	—	—	8,615
Repairs and maintenance	513,355	3,010	—	—	516,365	264,775	—	—	264,775
Safety & security	186,152		—	—	186,152	35,128	—	—	35,128
Salaries - office & management	1,046,830	9,000	—	—	1,055,830	1,117,567	—	—	1,117,567
Sales commissions	1,251,858		—	—	1,251,858	1,180,159	—	—	1,180,159
Taxes & licenses	213,011	13,933	—	—	226,944	163,193	—	—	163,193
Telephone & utilities	25,171		—	—	25,171	15,616	—	—	15,616
Travel	46,527		—	—	46,527	24,175	—	—	24,175
Uniforms	31,409		—	—	31,409	17,736	—	—	17,736
Total	\$4,495,243	\$ 116,408	\$ 20	\$ —	\$4,611,671	\$3,701,152	\$ —	\$ —	\$3,701,152

FINANCIAL STATEMENTS
NAUTIC STAR, LLC & SUBSIDIARY

Amory, Mississippi

Years Ended December 31, 2015 and 2014

Franks, Franks, Jarrell & Wilemon, P.A.
Certified Public Accountants

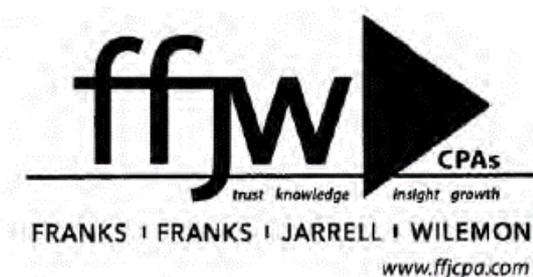
NAUTIC STAR, LLC & SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Partners of
Nautic Star, LLC. & Subsidiary
Amory, Mississippi

We have audited the accompanying consolidated financial statements of Nautic Star, LLC., (a Mississippi Limited Liability Company) and subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income and members' 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.

Auditors' 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 Nautic Star, LLC., and subsidiary as of December 31, 2015 and 2014, 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.

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Report on Consolidating and Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 12-15 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. The supplementary schedule on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

/s/ Franks, Franks, Jarrell & Wilemon, P.A.

Franks, Franks, Jarrell & Wilemon, P.A.
Fulton, Mississippi
September 19, 2017

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**NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,703,205	\$ 3,617,139
Accounts receivable - net	237,539	131,185
Other receivables	61,773	—
Inventories	3,348,965	3,637,735
Prepaid expenses	158,746	164,558
Total current assets	8,510,228	7,550,617
PROPERTY, PLANT, AND EQUIPMENT	5,940,706	4,809,540
Less: Accumulated depreciation	(2,809,069)	(2,416,416)
Total property, plant & equipment	3,131,637	2,393,124
OTHER ASSETS		
Bond issuance costs, net of accum. amort. of \$10,038 and \$9,235	2,007	2,810
Refundable deposits	1,111	1,111
Investment in association	5,000	5,000
Total other assets	8,118	8,921
TOTAL ASSETS	\$ 11,649,983	\$ 9,952,662

LIABILITIES AND MEMBERS' EQUITY**CURRENT LIABILITIES**

Accounts payable - trade	\$ 1,115,612	\$ 1,571,949
Accrued warranty reserve	1,722,783	1,453,650
Other accrued expenses	518,935	297,926
Total current liabilities	3,357,330	3,323,525

MEMBERS' EQUITY

TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 11,649,983	\$ 9,952,662
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See accompanying notes to the consolidated financial statements.

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Years Ended December 31, 2015 and 2014

	2015	2014
REVENUE		
Net sales	\$ 56,523,508	\$ 45,054,763
Less: Cost of sales	46,975,616	37,492,612
GROSS PROFIT	9,547,892	7,562,151
Less: Selling, general and administrative expenses	3,701,152	2,932,723
INCOME FROM OPERATIONS	5,846,740	4,629,428
OTHER (INCOME)/EXPENSES		
Lease income	—	5,352
Other income (expenses)	10,069	57,965
Gain (Loss) on disposal of assets	—	48,464
Total other income (expenses)	10,069	111,781
NET INCOME	5,856,809	4,741,209
Members' equity at beginning of year	6,629,137	6,146,671
Member distributions	(4,193,293)	(4,258,743)
Members' equity at end of year	\$ 8,292,653	\$ 6,629,137

See accompanying notes to the consolidated financial statements.

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,856,809	\$ 4,741,209
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and Amortization	393,456	301,168
(Gain)Loss from sale of assets	—	(48,464)
(Increase) decrease in:		
Accounts receivable	(106,354)	(2,466)
Other receivable	(61,773)	—
Inventories	288,770	5,004
Prepaid expenses	5,812	(4,839)
Increase (decrease) in:		

Accounts payable	(456,337)	348,644
Accrued expenses	490,144	131,463
Refundable deposits	—	599
Deferred lease income	—	(1,319)
Net cash provided by (used in) operating activities	6,410,527	5,470,999
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	—	136,300
Purchases of interests in associated companies	—	(5,000)
Purchases of property, plant and equipment	(1,131,168)	(990,900)
Net cash provided by (used in) investing activities	(1,131,168)	(859,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to members	(4,193,293)	(4,258,743)
Net cash provided by (used in) financing activities	(4,193,293)	(4,258,743)
INCREASE (DECREASE) IN CASH	1,086,066	352,656
CASH AT BEGINNING OF YEAR	3,617,139	3,264,483
CASH AT END OF YEAR	<u>\$ 4,703,205</u>	<u>\$ 3,617,139</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for:		
Interest	<u>\$ —</u>	<u>\$ 913</u>

See accompanying notes to the consolidated financial statements.

NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations — Nautic Star, LLC. (The Company) is engaged primarily in the manufacture, distribution and sale of recreational boats, engines and parts. The Company sells its products to retail dealers throughout the United States.

Basis of Consolidation — The consolidated financial statements include the accounts Navigator Marine, LLC., a wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition - The Company's revenue is derived primarily from the sale of boats, marine parts and accessories. Revenue is recognized in accordance with the terms of the sale, primarily upon shipment to customers, once the sales price is determinable and collectability is reasonably assured.

Dealer Incentives - The Company offers discounts and sales incentives that include retail promotions, rebates, and floor plan reimbursement costs that are recorded as reductions of revenues in net sales in the consolidated statements of operations. Dealer rebates and sales promotion incentives for the years ended December 31, 2015 and 2014 totaled \$360,102 and \$254,107, respectively.

Floor Plan Reimbursement Costs - The Company participates in various programs whereby it agrees to reimburse its dealers certain floor plan interest costs incurred by such dealers. Such costs are included as a reduction in net sales in the consolidated statements of operations and for the year ended December 31, 2015 and 2014 totaled \$57,785 and 28,256, respectively.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be "cash equivalent".

Receivables — The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Company's policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely. As of December 31, 2015 or 2014 the allowance account had a balance of \$0 and \$0, respectively.

Inventories - Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market and include material, labor and factory overhead. Inventories were as follows at year end:

	2015	2014
Raw materials and supplies	\$ 1,479,550	\$ 1,371,402
Work in process - boats	683,467	603,080
Finished goods - boats	132,591	120,609
Engines	843,747	1,416,853
Finished goods - trailers	15,461	32,502

In-Transit Inventory	194,149	93,289
Total	<u>\$ 3,348,965</u>	<u>\$ 3,637,735</u>

NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Property, Plant and Equipment - Property, Plant and Equipment is stated at cost. Property, plant and equipment is depreciated over the estimated useful lives of the related assets using primarily the straight-line method. Depreciation expense for the years ended December 31, 2015 and 2014 was \$393,456 and \$301,168, respectively. Total fixed assets at December 31, 2015 and 2014 were as follows:

	2015	2014
Buildings	\$ 1,454,523	\$ 1,368,594
Building improvements	904,093	325,969
Autos and trucks	105,388	105,388
Fixtures and equipment	945,995	777,362
Molds	<u>2,530,707</u>	<u>2,232,227</u>
Total	<u>\$ 5,940,706</u>	<u>\$ 4,809,540</u>

Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income.

Investments in Associations — The Company owns 100 shares in a material purchasing association. The investment in this association is recorded at cost.

Income Taxes — Nautic Star, LLC is treated as a partnership for income tax purposes and as such, each member is taxed separately on their distributive share of the Company's income whether or not that income is actually distributed. Navigator Marine, LLC is considered a disregarded entity for income tax purposes and its net activity will be reported on Nautic Star, LLC's income tax returns.

Reserve for Warranty Obligations - The Company offers warranties on the sale of certain products for a period of up to 10 years and records an accrual for the estimated future claims. Such accruals are based upon historical experience and management's estimates of the level of future claims, and are subject to adjustment as actual claims are determined or as changes in the obligations become reasonably estimable. At December 31, 2015 and 2014, reserves in the amount of \$1,722,783 and \$1,453,650 have been established, respectively.

Freight Costs - The Company includes freight costs in costs of goods sold. Total freight and shipping costs included in costs of goods sold for the years ended December 31, 2015 and 2014 was \$1,557,885 and \$1,264,317, respectively.

Advertising Costs - The Company expenses all advertising costs in the period in which they are incurred. Advertising expense was \$11,292 and \$135,283 for the years ended December 31, 2015 and 2014, respectively.

Subsequent Events - Management has evaluated subsequent events through September 19, 2017, the date on which the financial statements were available to be issued.

NOTE 2 - PENSION PLAN

The Company has established a 401(k) plan. All employees over the age of 18 and with six months of service are eligible to participate. The Company may make discretionary payments as well as discretionary matching of employees' contributions. Employees may elect to defer amounts according to the maximum allowed under Federal guidelines. For the years ended December 31, 2015 and 2014, discretionary matching contributions were \$29,101 and \$30,421, respectively.

NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Company maintains deposits that at times excess of federally insured limits. The risk associated with these uninsured funds is managed by maintaining all deposits in high quality financial institutions. At December 31, 2015 and 2014, deposits in excess of federally insured limits totaled \$4,751,151 and \$3,477,475, respectively.

The Company extends credit to its customers, a significant portion of which are in the recreational boat industry throughout the United States.

NOTE 4- USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 relate to reserved warranty obligations (Note 1 and Note 9) and repurchase commitments (Note 8). These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10), requires disclosures about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of December 31, 2015 and 2014. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on the financial instruments.

Management has estimated the fair values of cash, receivables, accounts payable, accrued expenses and short-term borrowings to be approximately their respective carrying values reported on these statements because of their short maturities.

NOTE 6 — ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Trade accounts receivable	\$ 226,142	\$ 122,266
Accounts receivable-other	61,773	0
Due from employees	11,397	8,919
	<u>299,312</u>	<u>131,185</u>
Less: Receivable from consolidated entity	0	0
Less: Allowance for doubtful accounts	0	0
Total	<u>\$ 299,312</u>	<u>\$ 131,185</u>

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 7 — CONCENTRATIONS

Total sales for the years ended December 31, 2015 and 2014 included sales to one major customer that accounted for 15% and 13% of the total consolidated net sales, respectively. This customer accounted for 0% and 0% of the consolidated net accounts receivable at December 31, 2015 and 2014, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company is party to floor plan repurchase agreements with several financial institutions. These agreements call for the repurchase of unsold inventory by the Company under certain circumstances outlined in the agreements. In the event that repurchase is deemed necessary, the new, unsold merchandise would be purchased by the Company for the amount due to the financial institutions. Normally, the amount due to the financial institutions would be the principal balance outstanding reduced by offsets for damages or misuse. The Company would then reacquire the merchandise and sell the merchandise through its normal distribution channels. The reserve for losses on potential repurchase commitments was \$0 and \$0 for the years ended December 31, 2015 and 2014, respectively.

NOTE 9 — WARRANTY RESERVE

The following summarizes the changes in the Company's aggregate liability under product warranties:

	2015	2014
Balance at beginning of period	\$ 1,453,650	\$ 1,293,208
Warranties accrued during the year	613,724	449,332
Settlements made during the period	(344,591)	(288,890)
Changes in adjustments, including expirations	0	0
Balance at end of period	<u>\$ 1,722,783</u>	<u>\$ 1,453,650</u>

NOTE 10 — RELATED PARTY TRANSACTIONS

The Company utilizes the services of Star Printing, Inc., whose sole shareholder is a 40% equity member of the Company.

Related party balances at December 31, 2015 and 2014 are as follows:

	2015	2014
Services and equipment purchased	\$ 148,689	\$ 128,160
Accounts payable	\$ 0	\$ 0

SUPPLEMENTAL SCHEDULES

NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATED SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015	2014
Accounting & legal	\$ 100,969	\$ 81,363
Advertising and promotional	11,292	135,283
Automobile	34,333	33,813
Bank charges	371	86
Computer support	59,619	26,333
Consulting	700	—
Contributions	395	4,046
Depreciation	7,528	34,336
Dues & subscriptions	49,573	35,193
Employee relations	79,578	51,497
Insurance - other	150,048	103,049
Interest	—	913
Meals & entertainment	9,645	6,290
Miscellaneous	7,366	4,909
Office supplies	66,287	48,094
Payroll taxes	77,655	60,630
Pension plan expense	9,850	11,714
Postage	4,344	3,684
Research and development	204,635	166,680
Rent - equipment	8,615	5,871
Repairs and maintenance	264,775	166,468
Safety & security	35,128	12,355
Salaries - office & management	1,117,567	842,714
Sales commissions	1,180,159	971,571
Taxes & licenses	163,193	81,931
Telephone	15,616	9,840
Travel	24,175	22,255
Uniforms	17,736	11,805
Total	\$ 3,701,152	\$ 2,932,723

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATING BALANCE SHEETS
December 31, 2015 and 2014

	2015				2014			
	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 4,702,153	\$ 1,052	\$ —	\$ 4,703,205	\$ 3,406,087	\$ 211,052	\$ —	\$ 3,617,139
Accounts receivable - net	237,539	—	—	237,539	131,185	—	—	131,185
Other receivables	61,773	—	—	61,773	—	—	—	—
Inventories	3,348,965	—	—	3,348,965	3,637,735	—	—	3,637,735
Prepaid expenses	158,746	—	—	158,746	164,558	—	—	164,558
Total current assets	8,509,176	1,052	—	8,510,228	7,339,565	211,052	—	7,550,617
PROPERTY, PLANT, AND EQUIPMENT								
	5,940,706	—	—	5,940,706	4,809,540	—	—	4,809,540
Less: Accumulated depreciation	(2,809,069)	—	—	(2,809,069)	(2,416,416)	—	—	(2,416,416)
Total property, plant & equipment	3,131,637	—	—	3,131,637	2,393,124	—	—	2,393,124
OTHER ASSETS								
Bond issuance costs, net of accum. amort. of \$10,038 and \$9,235	2,007	—	—	2,007	2,810	—	—	2,810
Refundable deposits	1,111	—	—	1,111	1,111	—	—	1,111
Investment in association	5,000	—	—	5,000	5,000	—	—	5,000
Total other assets	8,118	—	—	8,118	8,921	—	—	8,921
TOTAL ASSETS	\$ 11,648,931	\$ 1,052	\$ —	\$ 11,649,983	\$ 9,741,610	\$ 211,052	\$ —	\$ 9,952,662
LIABILITIES AND MEMBERS' EQUITY								

CURRENT LIABILITIES								
Accounts payable - trade	\$ 1,115,612	\$ —	\$ —	\$ 1,115,612	\$ 1,571,949	\$ —	\$ —	\$ 1,571,949
Accrued warranty reserve	1,722,783	—	—	1,722,783	1,453,650	—	—	1,453,650
Other accrued expenses	518,935	—	—	518,935	297,926	—	—	297,926
Total current liabilities	3,357,330	—	—	3,357,330	3,323,525	—	—	3,323,525
MEMBERS' EQUITY	8,291,601	1,052	—	8,292,653	6,418,085	211,052	—	6,629,137
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 11,648,931	\$ 1,052	\$ —	\$ 11,649,983	\$ 9,741,610	\$ 211,052	\$ —	\$ 9,952,662

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATING STATEMENTS OF INCOME AND MEMBERS' EQUITY
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals
REVENUE								
Net sales	\$ 56,523,508	\$ —	\$ —	\$ 56,523,508	\$ 45,054,763	\$ —	\$ —	\$ 45,054,763
Less: Cost of sales	46,975,616	—	—	46,975,616	37,492,612	—	—	37,492,612
GROSS PROFIT	9,547,892	—	—	9,547,892	7,562,151	—	—	7,562,151
Less: Selling, general and administrative expenses	3,701,152	—	—	3,701,152	2,909,030	35,387	(11,694)	2,932,723
INCOME FROM OPERATIONS	5,846,740	—	—	5,846,740	4,653,121	(35,387)	11,694	4,629,428
Lease income	—	—	—	—	—	5,352	—	5,352
Other income (expenses)	10,069	—	—	10,069	57,965	—	—	57,965
Gain (Loss) on disposal of assets	—	—	—	—	—	9,042	39,422	48,464
Total other income (expenses)	10,069	—	—	10,069	57,965	14,394	39,422	111,781
NET INCOME	5,856,809	—	—	5,856,809	4,711,086	(20,993)	51,116	4,741,209
Members' equity at beginning of year	6,418,085	211,052	—	6,629,137	5,965,742	232,045	(51,116)	6,146,671
Capital Contributions	—	—	—	—	—	—	—	—
Member distributions	(3,983,293)	(210,000)	—	(4,193,293)	(4,258,743)	—	—	(4,258,743)
Members' equity at end of year	\$ 8,291,601	\$ 1,052	\$ —	\$ 8,292,653	\$ 6,418,085	\$ 211,052	\$ —	\$ 6,629,137

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATING STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals
CASH FLOWS FROM OPERATING ACTIVITIES								
Net income	\$ 5,856,809	\$ —	\$ —	\$ 5,856,809	\$ 4,711,086	\$ (20,993)	\$ 51,116	\$ 4,741,209
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Depreciation and Amortization	393,456	—	—	393,456	274,836	38,026	(11,694)	301,168
(Gain) loss from sale of assets	—	—	—	—	—	(9,042)	(39,422)	(48,464)
(Increase) decrease in:								
Accounts receivable	(106,354)	—	—	(106,354)	(3,535)	1,069	—	(2,466)
Other receivable	(61,773)	—	—	(61,773)	—	—	—	—
Inventories	288,770	—	—	288,770	5,004	—	—	5,004
Prepaid expenses	5,812	—	—	5,812	(4,839)	—	—	(4,839)
Increase (decrease) in:								
Accounts payable	(456,337)	—	—	(456,337)	349,144	(500)	—	348,644
Accrued expenses	490,144	—	—	490,144	135,063	(3,600)	—	131,463
Refundable deposits	—	—	—	—	599	—	—	599
Deferred lease income	—	—	—	—	—	(1,319)	—	(1,319)
Net cash provided by (used in) operating activities	6,410,527	—	—	6,410,527	5,467,358	3,641	—	5,470,999
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sale of assets	—	—	—	—	—	136,300	—	136,300
Purchases of interests in associated companies	—	—	—	—	(5,000)	—	—	(5,000)
Purchases of property, plant and equipment	(1,131,168)	—	—	(1,131,168)	(990,900)	—	—	(990,900)
Net cash provided by (used in) investing activities	(1,131,168)	—	—	(1,131,168)	(995,900)	136,300	—	(859,600)
CASH FLOWS FROM FINANCING ACTIVITIES								
Distributions to members	(3,983,293)	(210,000)	—	(4,193,293)	(4,258,743)	—	—	(4,258,743)
Net cash provided by (used in) financing activities	(3,983,293)	(210,000)	—	(4,193,293)	(4,258,743)	—	—	(4,258,743)
INCREASE (DECREASE) IN CASH	1,296,066	(210,000)	—	1,086,066	212,715	139,941	—	352,656
CASH AT BEGINNING OF YEAR	3,406,087	211,052	—	3,617,139	3,193,372	71,111	—	3,264,483
CASH AT END OF YEAR	\$ 4,702,153	\$ 1,052	\$ —	\$ 4,703,205	\$ 3,406,087	\$ 211,052	\$ —	\$ 3,617,139

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:								
Interest	\$ —	\$ —	\$ —	\$ —	\$ 913	\$ —	\$ —	\$ 913

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NAUTIC STAR, LLC & SUBSIDIARY
CONSOLIDATING SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals	Nautic Star, LLC	Navigator Marine, LLC	Consolidating Entries	Totals
Accounting & legal	\$ 100,969	\$ —	\$ —	\$ 100,969	\$ 81,363	\$ —	\$ —	\$ 81,363
Advertising and promotional	11,292	—	—	11,292	135,283	—	—	135,283
Automobile	34,333	—	—	34,333	33,813	—	—	33,813
Bank charges	371	—	—	371	86	—	—	86
Computer support	59,619	—	—	59,619	26,333	—	—	26,333
Consulting	700	—	—	700	—	—	—	—
Contributions	395	—	—	395	4,046	—	—	4,046
Depreciation	7,528	—	—	7,528	8,004	38,026	(11,694)	34,336
Dues & subscriptions	49,573	—	—	49,573	35,193	—	—	35,193
Employee relations	79,578	—	—	79,578	51,497	—	—	51,497
Insurance - other	150,048	—	—	150,048	103,049	—	—	103,049
Interest	—	—	—	—	913	—	—	913
Meals & entertainment	9,645	—	—	9,645	6,290	—	—	6,290
Miscellaneous	7,366	—	—	7,366	6,843	(1,934)	—	4,909
Office supplies	66,287	—	—	66,287	48,094	—	—	48,094
Payroll taxes	77,655	—	—	77,655	60,630	—	—	60,630
Pension plan expense	9,850	—	—	9,850	11,714	—	—	11,714
Postage	4,344	—	—	4,344	3,684	—	—	3,684
Research and development	204,635	—	—	204,635	166,680	—	—	166,680
Rent - equipment	8,615	—	—	8,615	5,541	330	—	5,871
Repairs and maintenance	264,775	—	—	264,775	166,468	—	—	166,468
Safety & security	35,128	—	—	35,128	12,355	—	—	12,355
Salaries - office & management	1,117,567	—	—	1,117,567	842,714	—	—	842,714
Sales commissions	1,180,159	—	—	1,180,159	970,631	940	—	971,571
Taxes & licenses	163,193	—	—	163,193	83,906	(1,975)	—	81,931
Telephone & utilities	15,616	—	—	15,616	9,840	—	—	9,840
Travel	24,175	—	—	24,175	22,255	—	—	22,255
Uniforms	17,736	—	—	17,736	11,805	—	—	11,805
Total	\$ 3,701,152	\$ —	\$ —	\$ 3,701,152	\$ 2,909,030	\$ 35,387	\$ (11,694)	\$ 2,932,723

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NAUTIC STAR, LLC

Amory, Mississippi

As of June 30, 2017 and for the Six Months Ended
June 30, 2017 and 2016 and Related NotesFranks, Franks, Jarrell & Wilemon, P.A
Certified Public Accountants

NAUTIC STAR, LLC & SUBSIDIARIES

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INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Members of
Nautic Star Boats, LLC & Subsidiaries
Amory, Mississippi**Report on the Financial Statements**

We have reviewed the condensed consolidated financial statements of Nautic Star Boats, LLC., a Mississippi Limited Liability and consolidated subsidiaries, which comprise the balance sheet as of June 30, 2017, and the related condensed consolidated statements of income and members' equity and cash flows for the six months periods ended June 30, 2017 and 2016,

Management's Responsibility

The Company's management is responsible for the preparation and fair presentation of the condensed financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct the reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the condensed financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Report on Condensed Balance Sheet as of December 31, 2016

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of income and members' equity and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 20, 2017. In our opinion, the accompanying condensed consolidated balance sheet of Nautic Star Boats, LLC & subsidiaries as of December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

/s/ Franks, Franks, Jarrell & Wilemon, P.A.

Franks, Franks, Jarrell & Wilemon, P.A.
Fulton, Mississippi
October 24, 2017

**NAUTIC STAR, LLC & SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>June 30, 2017</u> (unaudited)	<u>December 31, 2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,828,802	\$ 3,419,093
Accounts receivable - net	1,805,579	847,796
Inventories	3,849,659	4,142,346
Prepaid expenses	86,231	159,460
Total current assets	<u>10,570,271</u>	<u>8,568,695</u>
PROPERTY, PLANT, AND EQUIPMENT		
Less: Accumulated depreciation	(3,768,557)	(3,425,711)
Total property, plant & equipment	<u>3,589,493</u>	<u>3,458,271</u>
OTHER ASSETS		
Bond issuance costs, net of accum. amort. of \$11,243 and \$10,841	802	1,204
Refundable deposits	1,110	1,110
Investment in association	5,000	5,000
Total other assets	<u>6,912</u>	<u>7,314</u>
TOTAL ASSETS	<u><u>\$ 14,166,676</u></u>	<u><u>\$ 12,034,280</u></u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 761,661	\$ 1,141,246
Accrued warranty reserve	1,992,409	1,860,343
Accrued repurchase liability	200,000	200,000
Other accrued expenses	856,104	432,603
Total current liabilities	<u>3,810,174</u>	<u>3,634,192</u>
MEMBERS' EQUITY	<u>10,356,502</u>	<u>8,400,088</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 14,166,676</u></u>	<u><u>\$ 12,034,280</u></u>

See accompanying notes and independent auditors' review report.

	<u>Six Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
REVENUE		
Net sales	\$ 42,294,689	\$ 28,944,547
Less: Cost of sales	<u>34,047,204</u>	<u>24,016,986</u>
GROSS PROFIT	8,247,485	4,927,561
Less: Selling, general and administrative expenses	<u>2,807,619</u>	<u>2,289,234</u>
INCOME FROM OPERATIONS	<u>5,439,866</u>	<u>2,638,327</u>
Interest income	5,938	3,662
Other income (expenses)	<u>—</u>	<u>899</u>
Total other income (expenses)	<u>5,938</u>	<u>4,561</u>
NET INCOME	5,445,804	2,642,888
Members' equity at beginning of period	8,400,088	8,292,653
Member distributions	<u>(3,489,390)</u>	<u>(3,471,667)</u>
Members' equity at end of period	<u>\$ 10,356,502</u>	<u>\$ 7,463,874</u>

See accompanying notes and independent auditors' review report.

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NAUTIC STAR, LLC & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	<u>Six Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,445,804	\$ 2,642,888
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and Amortization	343,247	279,059
(Increase) decrease in:		
Accounts receivable	(661,721)	(590,828)
Inventories	292,687	(1,802,475)
Prepaid expenses	73,229	76,997
Increase (decrease) in:		
Accounts payable	(379,585)	1,185,844
Accrued expenses	<u>259,505</u>	<u>293,988</u>
Net cash provided by (used in) operating activities	<u>5,373,166</u>	<u>2,085,473</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	<u>(474,067)</u>	<u>(562,768)</u>
Net cash provided by (used in) investing activities	<u>(474,067)</u>	<u>(562,768)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to members	<u>(3,489,390)</u>	<u>(3,471,667)</u>
Net cash provided by (used in) financing activities	<u>(3,489,390)</u>	<u>(3,471,667)</u>
INCREASE (DECREASE) IN CASH	1,409,709	(1,948,962)
CASH AT BEGINNING OF YEAR	<u>3,419,093</u>	<u>4,703,205</u>
CASH AT END OF YEAR	<u>\$ 4,828,802</u>	<u>\$ 2,754,243</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes and independent auditors' review report.

NAUTIC STAR, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2017 and the Six Months Ended June 30, 2017 and 2016

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation — The interim condensed consolidated financial statements do not represent complete financial statements and should be read in conjunction with the Company’s annual audited December 31, 2016 financial statements.

Operations — Nautic Star, LLC. (The Company) is engaged primarily in the manufacture, distribution and sale of recreational boats, engines and parts. The Company sells its products to retail dealers throughout the United States.

Basis of Consolidation — The consolidated financial statements include the accounts of Navigator Marine, LLC. And NS Transport, LLC, both wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition - The Company’s revenue is derived primarily from the sale of boats, marine parts and accessories. Revenue is recognized in accordance with the terms of the sale, primarily upon shipment to customers, once the sales price is determinable and collectability is reasonably assured.

Dealer Incentives - The Company offers discounts and sales incentives that include retail promotions, rebates, and floor plan reimbursement costs that are recorded as reductions of revenues in net sales in the condensed consolidated statements of operations. Dealer rebates and sales promotion incentives for the six months ended June 30, 2017 and 2016 totaled \$450,151 and \$277,484, respectively.

Floor Plan Reimbursement Costs - The Company participates in various programs whereby it agrees to reimburse its dealers certain floor plan interest costs incurred by such dealers. Such costs are included as a reduction in net sales in the condensed consolidated statements of operations and for the six months ended June 30, 2017 and 2016 totaled \$66,466 and 28,699, respectively.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be “cash equivalent”.

Investments in Associations — The Company owns 100 shares in a material purchasing association. The investment in this association is recorded at cost.

Income Taxes — Nautic Star, LLC is treated as a partnership for income tax purposes and as such, each member is taxed separately on their distributive share of the Company’s income whether or not that income is actually distributed. Navigator Marine, LLC and NS Transport, LLC are considered disregarded entities for income tax purposes and their net activity will be reported on Nautic Star, LLC’s income tax returns.

Receivables — The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Company’s policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely. As of June 30, 2017 and December 31, 2016 the allowance account had a balance of \$0 and \$0, respectively.

NAUTIC STAR, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2017 and the Six Months Ended June 30, 2017 and 2016

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories - Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market and include material, labor and factory overhead. Inventories were as follows:

	6/30/17	12/31/16
Raw materials and supplies	\$ 2,481,530	\$ 1,870,112
Work in process - boats	456,749	831,070
Finished goods - boats	118,182	67,384
Engines	774,973	1,128,327
In-Transit Inventory	0	232,916
Finished goods - trailers	18,225	12,537
Total	<u>\$ 3,849,659</u>	<u>\$ 4,142,346</u>

Property, Plant and Equipment - Property, Plant and Equipment is stated at cost. Property, plant and equipment is depreciated over the estimated useful lives of the related assets using primarily the straight-line method. Depreciation expense for the six months ended June 30, 2017 and 2016 was \$343,247 and \$279,059, respectively. Total fixed assets were as follows:

	6/30/17	12/31/16
Buildings	\$ 1,460,173	\$ 1,460,173
Building improvements	1,239,085	1,071,242
Autos and trucks	196,028	196,028
Fixtures and equipment	1,422,527	1,370,075

Molds	3,040,237	2,786,464
Total	\$ 7,358,050	\$ 6,883,982

Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in income.

Reserve for Warranty Obligations - The Company offers warranties on the sale of certain products for a period of up to 10 years and records an accrual for the estimated future claims. Such accruals are based upon historical experience and management's estimates of the level of future claims, and are subject to adjustment as actual claims are determined or as changes in the obligations become reasonably estimable. At June 30, 2017 and December 31, 2016, reserves in the amount of \$1,992,409 and \$1,860,343 have been established, respectively.

Freight Costs - The Company includes freight costs in costs of goods sold. Total freight and shipping costs included in costs of goods sold for the six months ended June 30, 2017 and 2016 was \$1,071,094 and \$830,477, respectively.

Advertising Costs - The Company expenses all advertising costs in the period in which they are incurred. Advertising expense was \$11,112 and \$130,986 for the six months ended June 30, 2017 and 2016, respectively.

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NAUTIC STAR, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2017 and the Six Months Ended June 30, 2017 and 2016

NOTE 2 - PENSION PLAN

The Company has established a 401 (k) plan. All employees over the age of 18 and with six months of service are eligible to participate. The Company may make discretionary payments as well as discretionary matching of employees' contributions. Employees may elect to defer amounts according to the maximum allowed under Federal guidelines. For the six months ended June 30, 2017 and 2016, discretionary matching contributions were \$20,005 and \$15,794, respectively.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Company maintains deposits that at times exceeds of federally insured limits. The risk associated with these uninsured funds is managed by maintaining all deposits in high quality financial institutions. At June 30, 2017 and December 31, 2016, deposits in excess of federally insured limits totaled \$5,534,775 and \$3,617,488, respectively.

The Company extends credit to its customers, a significant portion of which are in the recreational boat industry throughout the United States.

NOTE 4- USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 4 - USE OF ESTIMATES - continued

The most significant estimates relate to reserved warranty obligations (Note 1 and Note 9) and repurchase commitments (Note 8). These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10), requires disclosures about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as of June 30, 2017 and December 31, 2016. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on the financial instruments.

Management has estimated the fair values of cash, receivables, accounts payable, accrued expenses and short-term borrowings to be approximately their respective carrying values reported on these statements because of their short maturities.

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NAUTIC STAR, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2017 and the Six Months Ended June 30, 2017 and 2016

NOTE 6 — ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 and December 31, 2016 consisted of the following:

	6/30/17	12/31/16
Trade accounts receivable	\$ 1,805,579	\$ 847,796

Less: Allowance for doubtful accounts	0	0
Total	<u>\$ 847,796</u>	<u>\$ 847,796</u>

NOTE 7 — CONCENTRATIONS

Total sales for the six months ended June 30, 2017 and 2016 included sales to one major customer that accounted for 10% and 13% of the total consolidated net sales, respectively. This customer accounted for 15% and 11% of the consolidated net accounts receivable at June 30, 2017 and December 31, 2016, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Company is party to floor plan repurchase agreements with several financial institutions. These agreements call for the repurchase of unsold inventory by the Company under certain circumstances outlined in the agreements. In the event that repurchase is deemed necessary, the new, unsold merchandise would be purchased by the Company for the amount due to the financial institutions. Normally, the amount due to the financial institutions would be the principal balance outstanding reduced by offsets for damages or misuse. The Company would then reacquire the merchandise and sell the merchandise through its normal distribution channels. The reserve for losses on potential repurchase commitments was \$200,000 and \$200,000 at June 30, 2017 and December 31, 2016, respectively.

NOTE 9 — WARRANTY RESERVE

The following summarizes the changes in the Company’s aggregate liability under product warranties:

	<u>6/30/17</u>	<u>12/31/16</u>
Balance at beginning of period	\$ 1,860,343	\$ 1,722,783
Warranties accrued during the year	422,947	637,212
Settlements made during the period	(340,881)	(499,652)
Changes in adjustments, including expirations	50,000	0
Balance at end of period	<u>\$ 1,992,409</u>	<u>\$ 1,860,343</u>

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NAUTIC STAR, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of June 30, 2017 and the Six Months Ended June 30, 2017 and 2016

NOTE 10 — RELATED PARTY TRANSACTIONS

The Company utilizes the services of Star Printing, Inc., whose sole shareholder is a 40% equity member of the Company.

Related party transactions for the six months ended June 30, 2017 and 2016 are as follows:

	<u>6/30/17</u>	<u>6/30/16</u>
Services and equipment purchased	\$ 80,234	\$ 45,899

NOTE 11 - SUBSEQUENT EVENTS

On October 2, 2017, the Members entered into a closed agreement to sell all of the outstanding membership interests of Nautic Star, LLC to MCBC Holdings, Inc, a Delaware corporation.

Management has evaluated subsequent events through October 24, 2017, the date on which the financial statements were available to be issued.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On October 2, 2017 (the “Closing Date”), MCBC Holdings, Inc., collectively referred to as “we,” “our,” “MasterCraft,” or the “Company,” purchased all of the outstanding units of Nautic Star, LLC (the “Acquisition”) for a purchase price of approximately \$79.8 million, subject to certain adjustments, including customary adjustments for the amount of working capital in the business at the Closing Date. The Company funded the purchase price primarily with borrowings under its Third Amended and Restated Credit Agreement. The Amended Credit Agreement bears interest, at the Company’s option, at either the prime rate plus an applicable margin ranging from 0.75% to 1.75% or at an adjusted London Interbank Offered Rate (“LIBOR”) plus an applicable margin ranging from 1.75% to 2.75%, in each case based on the Company’s senior leverage ratio. Based on the Company’s current senior leverage ratio, the applicable margin for loans accruing interest at the prime rate is 1.25% and the applicable margin for loans accruing interest at LIBOR is 2.25%. The Amended Credit Agreement is secured by a first-priority security interest in substantially all of the Company’s assets. Obligations under the Amended Credit Agreement are guaranteed by the Company and secured by the assets of each of its domestic subsidiaries. The Amended Credit Agreement contains a number of covenants that, among other things, restrict the Company’s ability to, subject to specified exceptions, incur additional debt; incur additional liens and contingent liabilities; sell or dispose of assets; merge with or acquire other companies; liquidate or dissolve; engage in businesses that are not in a related line of business; make loans, advances or guarantees; pay dividends or make other distributions; engage in transactions with affiliates; and make investments. The Company is also required to maintain a specified consolidated fixed charge coverage ratio and a specified total leverage ratio. The Amended Credit Agreement includes customary events of default, including, but not limited to, payment defaults, covenant defaults, breaches of representations and warranties, cross-defaults to certain indebtedness, certain events of bankruptcy and insolvency, defaults under any security documents, and a change of control. The Term Loan will mature and all remaining amounts outstanding thereunder will be due and payable on October 2, 2022.

The following unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of the Company and the historical consolidated financial statements of NauticStar, LLC (“Nautic Star”) and is intended to provide information about how the Acquisition of Nautic Star and related financing may have affected the Company’s historical consolidated financial statements. The unaudited pro forma condensed combined statements of operations information for the year ended June 30, 2017 are presented as if the Acquisition and related financing occurred on July 1, 2016. The unaudited pro forma condensed combined balance sheet as of June 30, 2017 is presented as if the Acquisition and related financing had occurred on July 1, 2016. The pro forma adjustments are described in the accompanying notes and are based upon available information and assumptions available that we believe are reasonable at the time of the filing of this report on Form 8-K/A.

The unaudited pro forma condensed combined statement of operations for the year ended June 30, 2017 was derived from the Company’s audited consolidated statement of operations for the year ended June 30, 2017 and Nautic Star’s condensed consolidated statement of operations for the twelve months ended June 30, 2017 were derived by adding the historical financial information included in NauticStar’s audited statements of income for the year ended December 31, 2016 and NauticStar’s unaudited statement of income for the six months ended June 30, 2017, and excluding NauticStar’s unaudited statement of income for the six months ended June 30, 2016.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only. The unaudited pro forma condensed combined financial statements are not necessarily indicative of what our financial position or results of operations would have been had we completed the Acquisition as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company.

NauticStar’s assets and liabilities are recorded at their estimated fair values. Pro forma purchase price allocation adjustments have been made for the purpose of providing unaudited pro forma condensed combined financial information based on current estimates and currently available information, and are subject to revision based on final, independent determinations of fair value and final allocation of purchase price to the assets and liabilities of the business acquired. The unaudited pro forma condensed combined statements of operations do not reflect the realization of any expected cost savings and other synergies resulting from the Acquisition as a result of any cost saving initiatives planned subsequent to the closing of the Acquisition and related financing nor do they reflect any nonrecurring costs directly attributable to the Acquisition and related financing.

The accounting policies used in the presentation of the following unaudited pro forma condensed combined financial information are those set out in the Company’s audited consolidated financial statements for the fiscal year ended June 30, 2017. Certain reclassifications of NauticStar’s historical statements of income have been made to conform to the Company’s accounting policies.

The unaudited pro forma condensed combined consolidated financial statements along with the assumptions underlying the pro forma adjustments are described in the accompanying notes and should be read in conjunction with the historical consolidated financial statements contained in the Company’s annual report on Form 10-K for the year ended June 30, 2017 and NauticStar’s historical financial statements included in Exhibits 99.1, 99.2 and 99.3 contained in this Form 8-K/A.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
Pro Forma Condensed Consolidated Statement of Operations (Unaudited)
For the Fiscal Year Ended June 30, 2017
(In thousands, except share data)

	MCBC Holdings, Inc. Historical	Nautic Star, LLC Historical		MCBC Holdings, Inc.
	Fiscal Year Ended June 30, 2017	Twelve Months Ended June 30, 2017	Pro Forma Adjustments	Pro Forma Combined
NET SALES	\$ 228,634	\$ 77,071	\$	\$ 305,705

COST OF SALES	165,158	62,912	(153)(a)	227,917
GROSS PROFIT	63,476	14,159	153	77,788
OPERATING EXPENSES:				
Selling and marketing	9,380	1,691	546(b)	11,617
General and administrative	20,474	3,439	—	23,913
Amortization of intangible assets	107	—	3,083(c)	3,190
Total operating expenses	29,961	5,130	3,629	38,720
OPERATING INCOME	33,515	9,029	(3,476)	39,068
OTHER EXPENSE (INCOME):				
Interest expense	2,222	—	3,380(d)	5,602
Other	—	(12)	—	(12)
INCOME BEFORE INCOME TAX EXPENSE	31,293	9,041	(6,856)	33,478
INCOME TAX EXPENSE	11,723	—	836(e)	12,559
NET INCOME (LOSS)	\$ 19,570	\$ 9,041	\$ (7,692)	\$ 20,919

WEIGHTED AVERAGE SHARES:

Basic	18,592,885			18,592,885
Diluted	18,620,708			18,620,708

- (a) Reflects \$393 in additional depreciation related to an increase in the estimated fair value of tangible assets and \$546 in reclassifications of purchase discounts associated with a Joint Marketing Agreement (“JMA”) from selling and marketing to cost of sales to conform the presentation of NauticStar’s financial information to MasterCraft’s presentation. Excludes the increase of \$303 attributable to the nonrecurring estimated fair value step up in inventory assumed as part of the Acquisition.
- (b) Reflects reclassifications of \$546 in JMA purchase discounts from selling and marketing to cost of sales to conform the presentation of NauticStar’s financial information to MasterCraft’s presentation.
- (c) Reflects the amortization expense attributable to intangible assets assumed to be acquired as part of the Acquisition.
- (d) Reflects increased interest expense resulting from the borrowings in connection with the Acquisition based on the current interest rate of 3.80%. The Company, in connection with the Acquisition, entered into an Amended Credit Agreement providing the Company with an \$145 million senior secured credit facility, consisting of a \$115 million term loan and a \$30 million revolving credit facility. The Company used the proceeds from the term loan to fund the payment of the purchase price.
- (e) Represents the income tax impact of the pro forma adjustments based on the applicable blended rate, including, (i) interest expense on the Company’s additional proceeds from the new term loan assumed to finance the Acquisition, (ii) amortization expense of intangible assets assumed acquired as part of the Acquisition, and (iii) depreciation expense for tangible assets assumed as part of the Acquisition.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
Pro Forma Consolidated Balance Sheet (Unaudited)
As of June 30, 2017
(In thousands, except share data)

	MCBC Holdings, Inc. Historical As of June 30, 2017	Nautic Star, LLC Historical As of June 30, 2017	Pro Forma Adjustments	MCBC Holdings, Inc. Pro Forma Combined
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 4,038	\$ 4,829	\$ (251)(a)	\$ 8,616
Accounts receivable — net	3,500	1,806	—	5,306
Inventories — net	11,676	3,850	303(b)	15,829
Prepaid expenses and other current assets	2,438	86	—	2,524
Total current assets	21,652	10,571	52	32,275
Property, plant and equipment — net	14,827	3,589	3,750(c)	22,166
Intangible assets — net	16,643	—	45,434(d)	62,077
Goodwill	29,593	—	30,290(e)	59,883
Deferred debt issuance costs — net	481	—	—	481
Other	125	7	—	132
Total assets	83,321	14,167	79,526	177,014
LIABILITIES AND STOCKHOLDERS’ EQUITY				
CURRENT LIABILITIES:				
Accounts payable	11,008	762	—	11,770
Income tax payable	780	—	—	780
Accrued expenses and other current liabilities	21,410	3,048	—	24,458
Current portion of long term debt, net of unamortized debt issuance costs	3,687	—	3,737(f)	7,424
Total current liabilities	36,885	3,810	3,737	44,432
Long term debt, net of unamortized debt issuance costs	30,790	—	75,789(f)	106,579
Deferred income taxes	953	—	—	953
Unrecognized tax positions	2,932	—	—	2,932
Total liabilities	71,560	3,810	79,526	154,896
STOCKHOLDERS’ EQUITY:				
Common stock, \$.01 par value per share — authorized, 100,000,000 shares; issued and outstanding, 18,637,445	186	—	—	186

shares at June 30, 2017

Member units		10,357	(10,357)(g)	—
Additional paid-in capital	112,945	—	10,357(g)	123,302
Accumulated deficit	(101,370)	—	—	(101,370)
Total stockholders' equity	11,761	10,357	—	22,118
Total liabilities and stockholders' equity	<u>\$ 83,321</u>	<u>\$ 14,167</u>	<u>\$ 79,526</u>	<u>\$ 177,014</u>

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- (a) Reflects cash proceeds used by the Company to fund the Acquisition.
- (b) Represents an increase of \$303 in the estimated fair value of inventory. The allocation of fair value to inventory is based on preliminary estimates; the final acquisition cost allocation may differ materially from the preliminary assessment outlined above. An independent valuation of management's estimate has not been performed at the time of this report. Any changes to the initial estimates of the fair value of the assets and liabilities will be allocated to goodwill.
- (c) Represents the increase in estimated fair value of tangible assets for pro forma purposes. This allocation is based on preliminary estimates; the final acquisition cost allocation may differ materially from the preliminary assessment outlined above. An independent valuation of management's estimate has not been performed at the time of this report. Any changes to the initial estimates of the fair value of the assets and liabilities will be allocated to goodwill.
- (d) Reflects the estimated amount of goodwill acquired at the date of the Acquisition. Goodwill represents the total excess of the total purchase price over the fair value of the net assets acquired. This allocation is based on preliminary estimates; the final acquisition cost allocation may differ materially from the preliminary assessment outlined above. Any changes to the initial estimates of the fair value of the assets and liabilities will be allocated to goodwill. Residual goodwill at the date of Acquisition will vary from goodwill presented in the unaudited pro forma condensed combined balance sheet due to changes in the net book value of intangible assets during the period presented through the date of acquisition as well as results of an independent valuation, which has not been completed at the time of this report.
- (e) Reflects the preliminary estimate of the fair value of the acquired intangible assets, including trade name, customer relationship assets and non-compete agreements with key employees. The purchase price allocated to these intangible assets was based on management's estimate of the fair value of assets purchased, and has not been subject to an independent valuation at the time of this report.
- (f) Reflects borrowings net of debt issuance costs under the Amended Credit Agreement used to repay the Company's previously existing term loan, fund the Acquisition and pay certain fees and expenses related to entering into the Credit Agreement.
- (g) Represents the elimination of the historical owners' equity interest in Nautic Star, LLC.
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