



Empowering Businesses. Inspiring Growth.

APPLICATION FOR FINANCIAL ASSISTANCE

USAI, LLC

(Applicant Name)

**Robert T. Armistead
Chairman**

Orange County Business Accelerator
4 Crotty Lane, Suite 100
New Windsor, NY 12553

Phone: 845-234-4192 Fax: 845-220-2228

www.ocnyida.com
business@ocnyida.com

Updated July 2014

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

APPLICATION FOR FINANCIAL ASSISTANCE

I. APPLICANT INFORMATION

Company Name: USA I, LLC
Mailing Address: 1126 RIVER ROAD, New Windsor, NY 12553
Phone No.: 845-565-8500
Fax No.: 845-561-1130 NON-SECURE
Fed Id. No.: 56-2596819
Contact Person: Martha Orlando, Controller

Principal Owners/Officers/Directors (list owners with 15% or more in equity holdings with percentage ownership):

Bonnie Littman Gatof
David S. Littman

Corporate Structure (attach schematic if applicant is a subsidiary or otherwise affiliated with another entity)

Form of Entity

☐ Corporation

Date of Incorporation: _____
State of Incorporation: _____

☐ Partnership

General _____ or Limited _____
Number of general partners _____
If applicable, number of limited partners _____

Date of formation _____
Jurisdiction of Formation _____

☒ Limited Liability Company/Partnership (number of members 4)

Date of organization: July 27, 2005
State of Organization: New York

☐ Sole Proprietorship

If a foreign organization, is the applicant authorized to do business in the State of New York?

APPLICANT'S COUNSEL

Name: John Cappello, JACOBOWITZ and Gubits, LLP
Address: PO Box 367, 158 Orange Ave. Warden, NY 12589
Phone No.: 845-778-2121
Fax No.: 845-778-5173

II. PROJECT INFORMATION

A) Describe the proposed acquisitions, construction or reconstruction and a description of the costs and expenditures expected.

Attachment A

B) Furnish a copy of any environmental application presently in process of completion concerning this project, providing name and address of the agency, and copy all pending or completed documentation and determinations.

Attachment B

If any of the above persons, or a group of them, owns more than a 50% interest in the company, list all other organizations which are related to the company by virtue of such persons having more than a 50% interest in such organizations.

None

Is the company related to any other organization by reason of more than 50% common ownership? If so, indicate name of related organization and relationship.

None

Has the company (or any related corporation or person) made a public offering or private placement of its stock within the last year? If so, please provide offering statement used.

No

Project Data

1. Project site (land)

- (a) Indicate approximate size (in acres or square feet) of project site.

21.3 acres (only 11.8 acres readily Accessible)

- (b) Are there buildings now on the project site? X Yes No

- (c) Indicate the present use of the project site.

Contains +/- 49,358 sqft. building leased by USAI for light manufacturing, two dilapidated buildings to be demolished.

- (d) Indicate relationship to present user of project.

Present user currently leases the facility for light manufacturing, R&D, Distribution.

2. Does the project involve acquisition of an existing building or buildings? If yes, indicate number, size and approximate age of buildings:

Yes

3. Does the project consist of the construction of a new building or buildings? If yes, indicate number and size of new buildings:

No

4. Does the project consist of additions and/or renovations to existing buildings? If yes, indicate nature of expansion and/or renovation:

Renovation, upgrading and renovation of existing bldg

5. What will the building or buildings to be acquired, constructed or expanded be used for by the company? (Include description of products to be manufactured, assembled or processed, and services to be rendered. . .

Design, development, assembly, testing and distribution of state of art LED Lighting.

. . . including the percentage of building(s) to be used for office space and an estimate of the percentage of the functions to be performed at such office not related to the day-to-day operations of the facilities being financed.)

Approx. 14,200 sq. ft.

6. If any space in the project is to be leased to third parties, indicate total square footage of the project amount to be leased to each tenant and proposed use by each tenant.

None

7. List principal items or categories of equipment to be acquired as part of the project.

Attachment C

8. Has construction work on this project begun?

Complete the following

(a) site clearance	_____ Yes	<u>X</u> No	_____ % complete
(b) foundation	_____ Yes	<u>X</u> No	_____ % complete
(c) footings	_____ Yes	<u>X</u> No	_____ % complete
(d) steel	_____ Yes	<u>X</u> No	_____ % complete
(e) masonry work	_____ Yes	<u>X</u> No	_____ % complete
(f) other (describe below)	_____ Yes	<u>X</u> No	_____ % complete

9. Will any of the funds borrowed through the Agency be used for refinancing?

No

10. Is a purchaser for the bonds in place? N/A

COST BENEFIT ANALYSIS:

	<u>Costs =</u> <u>Financial Assistance</u>	<u>Benefits =</u> <u>Economic Development</u>
Estimated Sales Tax Exemption	\$ <u>244,500</u>	New Jobs Created <u>100</u>
Estimated Mortgage Tax Exemption	\$ <u>50,000</u>	Existing Jobs Retained <u>134</u>
Estimated Property Tax Abatement	\$ <u>198,500</u>	Private Funds invested \$ <u>Balance - \$5 million</u>
Estimated Interest Savings IRB Issue	\$ <u>n/a</u>	Other Benefits Accepted <u>BLP Brownfield \$1 million CFA/Excelsior</u>
		Expected Yearly Payroll \$ <u>\$8,399,247</u>
		Expected Gross Receipts \$ <u>\$65,000,000</u>

B) Project Address: 1126 River Road
Tax Map Number 9-1-97 & 96.1
(Section/Block/Lot)
Located in City of _____
Located in Town of New Windsor
Located in Village of _____
School District of Newburgh Consolidated

C) Are utilities on site?

Water Yes Electric Yes
Gas _____ Sanitary/Storm Sewer _____

D) Present legal owner of the site _____
If other than from applicant, by what means will the site be acquired for this project? Option to purchase will be exercised.

E) Zoning of Project Site: Current: _____ Proposed: _____

F) Are any variances needed? NO

G) Principal use of project upon completion: _____

H) Will the project result in the removal of a plant or facility of the applicant from one area of the State of New York to another? NO

Will the project result in the removal of a plant or facility of another proposed occupant of the project from one area of the State of New York to another area of the State of New York? NO

Will the project result in the abandonment of one or more plants or facilities located in the State of New York? NO

I) Estimate how many construction/permanent jobs will be created or retained as a result of this project and the estimated annual salary range:

	Number of jobs created	Estimated Annual Salary Range
Construction:	<u>47</u>	\$ _____ to \$ _____
New Permanent:	<u>100</u>	\$ <u>18,720</u> to \$ <u>90,340</u>
Retained:	<u>134</u>	\$ <u>18,720</u> to \$ <u>90,340</u>

J) Financial Assistance being applied for:

	Estimated Value
<u>X</u> Real Property Tax Abatement Please indicate the term of the PILOT: <u>15</u> Years	\$ <u>198,500</u>
<u>X</u> Mortgage Tax Exemption Please provide the Mortgage Amount: \$ <u>5 million</u>	\$ <u>50,000</u>
<u>X</u> Sales and Use Tax Exemption Amount of Goods & Services to be purchased: \$ <u>3 million</u>	\$ <u>244,500</u>
_____ Issuance by the Agency of Tax Exempt Bonds	\$ <u>n/a</u>

K) Project Costs (Estimates)

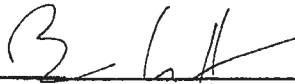
Land	<u>n/a</u>
Building	<u>\$ 2.7 Million</u>
Equipment	<u>\$ 1,625,000</u>
Soft costs	<u>\$ 886,000</u>
Other	<u>\$ 1,316,360 Demolition and Envir. Remediation</u>
Total	<u>\$ 6,527,360</u>

III. REPRESENTATIONS BY THE APPLICANT

The Applicant understands and agrees with the Agency as follows:

- A. Job Listings In accordance with Section 858-b(2) of the New York General Municipal Law, the applicant understands and agrees that, if the proposed project receives any Financial Assistance from the Agency, except as otherwise provided by collective bargaining agreements, new employment opportunities created as a result of the proposed project must be listed with the New York State Department of Labor Community Services Division (the "DOL") and with the administrative entity (collectively with the DOL, the "JTPA Entitle") of the service delivery area created by the federal job training partnership act (Public Law 97-300) ("JTPA") in which the project is located.
- B. First Consideration for Employment In accordance with Section 858-b(2) of the General Municipal Law, the applicant understands and agrees that, if the proposed project receives any Financial Assistance from the Agency, except as otherwise provided by collective bargaining agreements, where practicable, the applicant must first consider persons eligible to participate in JTPA programs who shall be referred by the JTPA Entities for new employment opportunities created as a result of the proposed project.
- C. A liability and contract liability policy for a minimum of three million dollars will be furnished by the Applicant insuring the Agency.
- D. Annual Sales Tax Fillings In accordance with Section 874(8) of the General Municipal Law, the Applicant understands and agrees that, if the proposed project receives any sales tax exemptions as part of the Financial Assistance from the Agency, in accordance with Section 874(8) of the General Municipal Law, the applicant agrees to file, or cause to be filed, with the New York State Department of Taxation and Finance, the annual form prescribed by the Department of Taxation and Finance, describing the value of all sales tax exemptions claimed by the applicant and all consultants or subcontractors retained by the Applicant.
- E. Annual Employment Reports The applicant understands and agrees that, if the proposed project receives any Financial Assistance from the Agency, the applicant agrees to file, or cause to be filed, with the Agency, on an annual basis, reports regarding the number of people employed at the project site.
- F. Absence of Conflicts of Interest The applicant has received from the Agency a list of the members, officers, and employees of the Agency. No member, officers or employee of the Agency has an interest, whether direct or indirect, in any transaction contemplated by this Application, except as hereinafter described:

The Applicant and the Individual executing this Application on behalf of applicant acknowledge that the Agency and its counsel will rely on the representations made in this Application when acting hereon and hereby represents that the statements made herein do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements contained herein not misleading.



(Applicant Signature)

Bonnie Littman Gatof
(Name of Officer)

President
(Title)

This Application should be submitted to the Orange County Industrial Development Agency, c/o Robert T. Armistead, Chairman, Orange County Business Accelerator, 4 Crotty Lane, Suite 100, New Windsor, NY 12553.

The Agency will collect an administrative fee at the time of closing.
SEE ATTACHED FEE SCHEDULE (page 10)

Bond Counsel
CHARLES SCHACHTER, ESQ./
RUSSELL GAENZLE, ESQ.
Harris Beach PLLC
99 Garnsey Road
Pittsford, New York 14534
Tel: (585) 419-8633
Fax: (585) 419-8817


Attach copies of preliminary plans or sketches of proposed construction or rehabilitation or both.

Attach the following Financial Information of the Company

1. Financial statements for last two fiscal years (unless included in company's Annual Reports).
2. Company's annual reports (or Form 10-K's) for the two most recent fiscal years.
3. Quarterly reports (Form 10Q's) and current reports (Form 8-K's) since the most recent Annual Report, if any.
4. In addition, please attach the financial information described above in Items 1, 2 and 3 of any expected Guarantor of the proposed bond issue, if different from the company.

HOLD HARMLESS AGREEMENT

Applicant hereby releases the ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY and the members, officers, servants, agents and employees thereof (the "Agency") from, agrees that the Agency shall not be liable for and agrees to indemnify, defend and hold the Agency harmless from and against any and all liability arising from or expense incurred by (A) the Agency's examination and processing of, and action pursuant to or upon, the attached Application, regardless of whether or not the Application or the Project described therein or the tax exemptions and other assistance requested therein are favorably acted upon by the Agency, (B) the Agency's acquisition, construction and/or installation of the Project described therein and (C) any further action taken by the Agency with respect to the Project; including without limiting the generality of the foregoing, all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing. If, for any reason, the Applicant fails to conclude or consummate necessary negotiations, or fails, within a reasonable or specified period of time, to take reasonable, proper or requested action, or withdraws, abandons, cancels or neglects the Application, or if the Agency or the Applicant are unable to reach final agreement with respect to the Project, then, and in the event, upon presentation of an invoice itemizing the same, the Applicant shall pay to the Agency, its agents or assigns, all costs incurred by the Agency in processing of the Application, including attorneys' fees, if any.


(Applicant Signature)

By: _____

Name: Bonnie Littman Getaf

Title: President


(Notary Public)

Sworn to before me this 26 day

[stamp]

of FEBRUARY, 2015

COUNTY: ORANGE

JOSEPH A. LYNCH
Notary Public, State of New York
No. 01LY6107053
Qualified in Orange County
Commission Expires March 15 2016

USAI, LLC
1126 River Road
New Windsor, NY 12553
Bonnie Littman Gatof, President

Attachments for:

Orange County Industrial Development Agency

Application for Financial Assistance

February 27, 2015

Attachment A:	Project Description
Attachment B:	Environmental Application Status/ Copies of Documents
Attachment C:	Equipment List
Attachment D:	USAI Financial Information

USAI Lighting Expansion Project

Global Innovative Leader, Hudson Valley based

USAI Lighting, an international industry leader in manufacturing LED fixtures, has grown from a \$5.9 million company 7 years ago to \$35.6 million. LED is 70% more efficient than conventional lighting standards and by 2020, 90% of all lighting sales worldwide will be LED. In order to meet the growing global demands for this technology, USAI has initiated a \$6.5 million expansion. Upon completion, USAI will be able to design, develop, test, and manufacture, localizing production from China and other states, increasing its global market share of this \$25 billion industry.

An innovative leader, USAI pushes the boundaries of what's possible in LED research and development, a forward-thinking approach that has resulted in a stream of industry firsts and award winning products. USAI designs its lighting products from the inside out starting with custom-designed light engines and tailoring every luminaire component to maximize performance and aesthetics.

To continue this forward momentum, USAI is planning a \$6.5 million expansion of its existing facility to include:

- New technology, testing, and training center
- Specialized testing equipment for increased R&D capability
- A prototype machine shop
- Exterior modernization
- Landscaping to clean and beautify old industrial river site
- Ergonomically redesigned factory and product testing area
- New loading docks

This transformative expansion, which is anticipated to be completed by December 2015, will follow LEED best practices for optimum eco-efficiency. The upgrade to the site itself will require razing two existing dilapidated buildings, green infrastructure for improved storm water management and a safer ingress and egress onto the State road. USAI expects to complete

USAI is part of the Littman Brands including Hudson Valley Lighting and Sonneman, both located in the City of Newburgh. USAI, which sits on the border of the City of Newburgh and the Town of New Windsor, employs 134 people ranging in jobs from those requiring technical professional expertise such as mechanical, electrical, optical, and thermal engineers to non-skilled labor such as assembly line workers. With the exception of the national sales team, 100% of USAI employees call the Hudson Valley home with the largest group (almost 70%) residing in the City of Newburgh, one of the most distressed cities in New York State. With a conservative estimate, USAI intends to increase its workforce by 100 new employees over the next five years bringing much needed jobs to the area.

**TOWN OF NEW WINDSOR PLANNING BOARD
COUNTY OF ORANGE**

NEGATIVE DECLARATION

*USAI, LLC Site Plan
PB # 13-06*

PLEASE TAKE NOTICE that, according to the provisions of Article 8 of the Environmental Conservation Law and the New York Code of Rules and Regulations Part 617, the Town of New Windsor Planning Board has adopted a Negative Declaration for the project named below. The Planning Board is serving as Lead Agency for an Uncoordinated Review of this Unlisted Action.

Name of Project:	USAI, LLC Site Plan
Action Type:	Unlisted Action; Uncoordinated Review
Location:	Town of New Windsor, County of Orange
Location:	1126 River Road
Zoning District:	PI – Planned Industrial
Tax Map Parcel:	9-1-96.1 & 97

Summary of Action:

The action involves a request to raze two (2) structures at the project site and revise site parking and access to the River Road. The project site in question is located in the PI – Planned Industrial zoning district, and the total project site consists of 21.3 +/- acres. The project site consists of two (2) tax map lots, located off of River Road in the Town of New Windsor, and the site is currently improved by existing warehouse, manufacturing and incidental office uses, which will be continued, but are not proposed for modification.

Reasons Supporting the Negative Declaration:

Based on its consideration of the available information, the Planning Board finds there would be no significant adverse environmental effects associated with granting site plan approval to raze two (2) structures and revise parking at the project site and access to River Road.

With respect to traffic patterns, traffic safety and emergency access, the proposed project will have access to River Road. With respect to water and sewer resources, the facility is served by Town of New Windsor water and sewer services. The site does not constitute significant habitat area for flora or fauna. The proposed site plan provides a comprehensive design for the demolition, grading, and parking development for the site improvement, and is considered to comply with all currently existing zoning requirements and municipal plans for the Town of New Windsor, and is consistent with the community character. The site is located in the PI – Planned Industrial District.

Visual impacts, traffic, solid waste generation, energy consumption, nor public service demands would be significant or excessive for the development associated with this proposed site plan and minor subdivision. No other potentially significant harmful environmental impacts are identified.

Given all of the considerations for traffic safety, water supply, water quality and wastewater disposal the Planning Board concludes that its action protects the public health, safety and welfare to the maximum extent practicable.

Date of Adoption of Negative Declaration: June 12, 2013

Agency Address:

**Town of New Windsor Planning Board
Town Hall – 555 Union Avenue
New Windsor, New York 12553
Tel. (845) 563-4615**

Contact Person:

**Genaro Argenio,
Planning Board Chairman**

**RESOLUTION ADOPTING A NEGATIVE DECLARATION
FOR SITE PLAN APPROVAL**

*USAI, LLC Site Plan
PB # 13-06*

WHEREAS, an application was made to the Planning Board of the Town of New Windsor for approval of a site plan by USAI, LLC (the "applicant") for a project described as the "USAI, LLC Site Plan";

WHEREAS, the subject site consists of 21.3 +/- acres of land and is comprised of two (2) tax map parcels in the Town of New Windsor identified on the tax map as section 9, block 1, and lot 96.1 (SBL 9-1-96.1) and section 9, block 1, lot 97 (SBL 9-1-97); and

WHEREAS, the action involves a request for site plan approval for to raze two (2) structures at the project site revise the site parking and access to the River Road; and

WHEREAS, the proposed action is located at 1126 River Road, in the PI (Planned Industrial) Zoning District; and

WHEREAS, the applicant has submitted a fully executed Short Form Environmental Assessment Form ("EAF") pursuant to the New York State Environmental Quality Review Act ("SEQRA"); and

WHEREAS, the Planning Board conducted a Uncoordinated SEQRA review for this Unlisted Action; and

WHEREAS, during the course of the Planning Board's review of the Applicant's proposed site plan, the Planning Board received and considered correspondence from the public as well as the Town's consultants; and

WHEREAS, on May 8, 2013 the Planning Board waived a public hearing on the application for site plan pursuant to New Windsor Town Code § 300-86(D); and

WHEREAS, the application and related materials were submitted to the Orange County Planning Department ("OCDP") for its review pursuant to the requirements of the General Municipal Law § 239-m, and OCDP responded on May 15, 2013, recommending local determination; and

WHEREAS, the Planning Board has carefully considered all of the comments raised by the public, the Board's consultants, and

other interested agencies, organizations and officials, including those presented at numerous meetings of the Board as well as those submitted separately in writing; and

WHEREAS, the applicant has submitted a proposed site plan consisting of six (6) sheets, prepared by Hudson Land Design Professional Engineering, P.C., dated January 22, 2013 and last revised on April 12, 2013; and

WHEREAS, the Planning Board has determined that the Proposed Action minimizes or avoids significant environmental impacts and, therefore, the accompanying Negative Declaration is hereby adopted as part of the approval of the site plan.

NOW, THEREFORE, be it resolved as follows:

1. The Planning Board is lead agency for an Uncoordinated Review of this Action;
2. This is an Unlisted Action for SEQRA purposes;
3. The EAF submitted by the applicant has been fully reviewed and considered by the Planning Board;
4. Having reviewed with due care and diligence the EAF submitted by the applicant, the application herein and all pertinent documentation and testimony received at the public hearing, it is determined that the proposed action will not have, nor does it include, the potential for significant adverse environmental impacts;
5. The Planning Board hereby adopts the SEQRA "Negative Declaration" annexed hereto.

Upon motion made by Member Daniel Gallagher, seconded by Member Harry Ferguson, the foregoing resolution was adopted as follows:

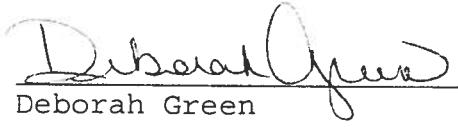
Member, David Sherman	<u>Aye</u>	Nay	Abstain	Absent
Member, Daniel Gallagher	<u>Aye</u>	Nay	Abstain	Absent
Member, Howard Brown	<u>Aye</u>	Nay	Abstain	Absent
Member, Harry Ferguson	<u>Aye</u>	Nay	Abstain	Absent
Member, Henry VanLeeuwen	Aye	Nay	Abstain	<u>Absent</u>
Chairman, Genaro Argenio	<u>Aye</u>	Nay	Abstain	Absent

Dated: June 12, 2013
New Windsor, New York



Genaro Argenio, Chairman

Filed in the Office of the Town Clerk on this 9th day
of January, 2014.



Deborah Green
Town Clerk

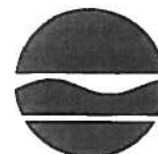
New York State Department of Environmental Conservation

Division of Environmental Remediation, 12th Floor

625 Broadway, Albany, New York 12233-7011

Phone: (518) 402-9706 Fax: (518) 402-9020

Website: www.dec.ny.gov



Joe Martens
Commissioner

DEC 10 2014

Certified Mail, Return Receipt Requested

BDL, LLC
Bonnie Littman-Gatof
1126 River Road
New Windsor, NY 12553

Re: USAI Lighting Facility
Tax Map ID No.: 9-1-97, 9-1-96.1
Property County: Orange
Site No.: C336087

Dear Applicant:

Your application for the above-referenced Brownfield Cleanup Program ("BCP") project has been reviewed by the New York State Department of Environmental Conservation ("Department"). I am pleased to inform you that your request is accepted. The acceptance is based upon your participation as follows:

BDL, LLC is a Volunteer as defined in ECL 27-1405(1)(b).

Based upon the facts and information in the application, information contained in the Department's records, and a timely return of the signed Brownfield Cleanup Agreements (BCAs), the Department is prepared to execute a BCA for the above-described property. Enclosed are three original proposed BCAs. Please have an authorized representative sign all three originals where indicated and return them to my attention at 625 Broadway, Albany, New York, **along with proof that the party executing the BCA is authorized to bind the Requestor. This would be documentation from corporate organizational papers, which are updated, showing the authority to bind the corporation, or a Corporate Resolution showing the same, or an Operating Agreement or Resolution for an LLC.** The BCA shall not be effective until it is fully executed by the parties. A reassessment of eligibility may result in a denial of the application if there are any changes to material facts and information before the BCA is fully executed. **Please note, if the BCA is not signed and returned to the Department within 60 days, the Department will consider the Application withdrawn and the offer to enter the BCP will be deemed rescinded.**

The Department looks forward to working with you on this project. The Department's project manager will assist you in completing your project. You can arrange a meeting to discuss the program's requirements and work plan. The work plan will determine the scope of work to be conducted and completed. You may contact the Department's project team as set forth in Paragraph IV of the attached draft BCA to discuss the next steps.

Sincerely,

Robert W. Schick, P.E., Director
Division of Environmental Remediation

Enclosures:

Department's Copies:

ec: Michael J. Ryan, P.E.
George Heitzman
John O'Mara
Benjamin Conlon
Kelly Lewandowski
Andrew Guglielmi
James Candiloro
Matthew Hubicki

Applicant's Copies:

ec: Bonnie Littman-Gatof (blittman@usailighting.com)
John Cappello, Esq. (jcc@jacobowitz.com)
Jim McIver (j.mciver@ctmale.com)

Attachment C: Equipment List

USAI, LLC
1126 River Road
New Windsor, NY 12553
Bonnie Littman Gatof, President

Furniture and Fixtures: \$1,055,000

Furniture	\$500,000
AV/IT	\$250,000
Racking	\$130,000
New Line	\$75,000
Cafeteria	\$70,000

Equipment: \$570,000

Goniometer	\$250,000
Prototype Machine Shop	\$100,000
LED Board Manufacturing Equipment	\$100,000
Test Equipment	\$50,000
Fork Lift	\$70,000

USAI, LLC
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

USAI, LLC

Financial Statements
For the years ended December 31, 2013 and 2012

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Independent Accountants' Review Report

April 30, 2014

To the Members of USAI, LLC
New Windsor, NY

We have reviewed the accompanying balance sheets of USAI, LLC as of December 31, 2013 and 2012 and the related statements of operations and members' equity and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included in the accompanying Schedules A through C is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

Stanley Marks & Company LLP

STANLEY MARKS & COMPANY LLP
Certified Public Accountants and Consultants

Global Representation: INTEGRA International, Inc.

USAI, LLC

Balance Sheets
December 31,
A S S E T S

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash	\$ 1,293,356	\$ 580,426
Accounts Receivable	3,230,958	2,315,204
Inventory	5,843,342	5,041,712
Prepaid Expenses	<u>721,136</u>	<u>283,513</u>
Total Current Assets	11,088,792	8,220,855
Property and Equipment, Net	<u>484,045</u>	<u>280,925</u>
Total Assets	<u>\$ 11,572,837</u>	<u>\$ 8,501,780</u>

LIABILITIES AND MEMBERS' EQUITY

Current Liabilities		
Line of Credit	\$ 699,699	\$ 700,000
Notes Payable - Current Portion	35,501	43,352
Accounts Payable	4,715,978	3,469,053
Accrued Expenses and Other Current Liabilities	562,178	508,601
Due to Affiliate	<u>115,430</u>	<u>115,430</u>
Total Current Liabilities	6,128,786	4,836,436
Notes Payable - Long Term	0	3,015,710
Members' Equity	<u>5,444,051</u>	<u>649,634</u>
Total Liabilities and Members' Equity	<u>\$ 11,572,837</u>	<u>\$ 8,501,780</u>

The accompanying notes are an integral part of the financial statements.
See Independent Accountants' Review Report.

USAI, LLC

Statements of Operations and Members' Equity
For the years ending December 31,

	<u>2013</u>	<u>2012</u>
Net Sales	\$ 35,639,686	\$ 26,446,847
Cost of Sales	<u>20,144,796</u>	<u>13,486,542</u>
Gross Profit	15,494,890	12,960,305
Expenses		
Selling Expenses	7,396,102	6,994,646
General and Administrative Expenses	<u>1,256,358</u>	<u>1,186,316</u>
Total Expenses	<u>8,652,460</u>	<u>8,180,962</u>
Operating Income	6,842,430	4,779,343
Other Income (Expense)		
Interest Expense	(31,651)	(15,573)
Foreign Currency Loss	(5,043)	(3,214)
Hurricane Sandy Recoveries (Expenses)	46,403	(752,369)
Total Other Income (Expense)	<u>5,278</u>	<u>(7,658)</u>
Total Other Income (Expense)	<u>14,987</u>	<u>(778,814)</u>
Net Income	6,857,417	4,000,529
Members' Equity, Beginning of Period	649,634	4,146,049
Less: Distributions to Members	<u>(2,063,000)</u>	<u>(7,496,944)</u>
Members' Equity, End of Period	<u>\$ 5,444,051</u>	<u>\$ 649,634</u>

The accompanying notes are an integral part of the financial statements.
See Independent Accountants' Review Report.

USAI, LLC

Statements of Cash Flows
For the years ended December 31,

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Net Income	\$ 6,857,417	\$ 4,000,529
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation	105,112	90,553
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(915,754)	(926,416)
Inventory	(801,630)	(511,200)
Prepaid Expenses and Other Current Assets	(437,623)	(62,841)
Accounts Payable	1,246,925	1,481,002
Accrued Expenses and Other Current Liabilities	<u>53,575</u>	<u>104,291</u>
Net Cash Provided by Operating Activities	6,108,022	4,175,918
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(308,230)	(160,511)
Cash Flows from Financing Activities:		
Repayments to Line of Credit	(301)	0
Net Proceeds from (Payments to) Notes Payable	(3,023,561)	3,008,866
Distributions to Members	<u>(2,063,000)</u>	<u>(7,496,944)</u>
Net Cash Used in Financing Activities	<u>(5,086,862)</u>	<u>(4,488,078)</u>
Net Increase (Decrease) in Cash	712,930	(472,671)
Cash, Beginning of Period	<u>580,426</u>	<u>1,053,097</u>
Cash, End of Period	<u>\$ 1,293,356</u>	<u>\$ 580,426</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid During the Year for:		
Interest	<u>\$ 31,651</u>	<u>\$ 15,573</u>

The accompanying notes are an integral part of the financial statements.
See Independent Accountants' Review Report.

USAI, LLC

Notes to the Financial Statements For the years ended December 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies

Business Activity

USAI, LLC (the "Company") manufactures and distributes specialty light fixtures, throughout the United States. The Company designs its lighting fixtures to combine both scientific and energy efficient lighting with designs that are fashionably aesthetic.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company carries its accounts receivable at their estimated net realizable value. On a periodic basis, the Company evaluates its accounts receivable based on past history, collections and current credit conditions. The Company provides a reserve for potential credit losses when applicable. The allowance for doubtful accounts at December 31, 2013 and 2012 was \$33,817 and \$24,526, respectively. The Company does not accrue finance charges on past due accounts.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

Property and Equipment

Property and equipment are recorded at cost less the appropriate allowances for depreciation. Depreciation and amortization are computed using the straight-line method. Estimated useful lives range from three to fifteen years.

Upon sale or retirement of property and equipment, the cost and related accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss, if any, is reflected in income. Major additions are capitalized and depreciated. Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed in current reporting period.

Due to Affiliate

Amounts due to an affiliate are payable on demand and bear no interest.

USAI, LLC

Notes to the Financial Statements - Continued
For the years ended December 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies - Continued

Revenue Recognition Policy

Sales revenue is recognized upon shipment of merchandise to customers. Allowances for sales returns and discounts are recorded as a component of net sales in the period the allowances are realized.

Cost of Sales and General and Administrative Expenses

The Company's cost of sales primarily consists of merchandise costs, including related freight costs, labor, and manufacturing overhead items. Discounts and rebates are deducted from cost of sales. The Company's general and administrative expenses primarily consist of salary expenses, related benefits, marketing, general and administrative expenses.

Advertising

Advertising costs are expensed as incurred. Advertising expense charged to operations amounted to \$343,570 and \$295,246 for the years ended December 31, 2013 and 2012, respectively.

Income Taxes

As of January 1, 2012, the Company has elected to be taxed under the provisions of the Internal Revenue Code as an "S" corporation. The shareholders include the Company's taxable income in their individual income tax return. The Company is liable for the New York State Franchise Tax.

Accounting for Uncertainty in Income Taxes

FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties and accounting in interim periods. Penalties and interest assessed by income taxing authorities are included in operating expenses, if incurred. The income tax returns of the Company for 2013, 2012, 2011 and 2010 are subject to examination by applicable taxing authorities, generally for the three years after they were filed.

USAI, LLC

Notes to the Financial Statements - Continued For the years ended December 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies - Continued

Presentation of Sales Tax

Sales tax is imposed by various states on certain of the Company's sales to nonexempt customers. The Company collects applicable sales tax from customers and remits the entire amount to the respective states. The Company's accounting policy is to exclude the tax collected and remitted to the state from revenue and cost of sales.

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 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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Subsequent Events

Subsequent events have been evaluated through April 30, 2014, which is the date the financial statements were available to be issued.

Note 2 Concentrations

The Company maintains cash balances at one financial institution located in upstate New York. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, cash balances may be in excess of the FDIC insurance limits.

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company's customers are not concentrated in any specific geographic area, but are concentrated in the wholesale lighting fixture business.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Company's customer base. As of December 31, 2013 and 2012, the Company had no significant concentrations of credit risk.

USAI, LLC

Notes to the Financial Statements - Continued
For the years ended December 31, 2013 and 2012

Note 2 Concentrations - Continued

The production and warehouse employees are members of the International Brotherhood of Electrical Workers, Local Union #363. The Company has signed a new agreement with the union, which expires in November 2014.

The Company purchases a significant amount of inventory from a few suppliers. For the years ended December 31, 2013 and 2012, approximately 36% and 33% of inventory purchases were attributed to two suppliers. Some of the Company's purchases are from vendors that are located overseas. Management does not believe significant risk exists as product could be purchased from other suppliers.

Note 3 Inventory

The Company periodically conducts physical inventories and perpetual records are adjusted accordingly. Labor and overhead are included in the cost of inventory. The components of inventory are as follows at December 31:

	<u>2013</u>	<u>2012</u>
Raw Materials	\$ 4,886,630	\$ 4,063,040
Finished Goods	<u>956,712</u>	<u>978,672</u>
Total Inventory	<u>\$ 5,843,342</u>	<u>\$ 5,041,712</u>

Note 4 Property and Equipment

Property and Equipment consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
Machinery and Equipment	\$ 288,230	\$ 131,621
Tooling	338,024	338,024
Truck and Auto	94,461	94,461
Office Equipment	151,418	136,106
Leasehold Improvements	226,811	154,272
Software	<u>152,265</u>	<u>88,493</u>
Total	1,251,209	942,977
Less: Accumulated Depreciation	<u>(767,164)</u>	<u>(662,052)</u>
Property and Equipment, Net	<u>\$ 484,045</u>	<u>\$ 280,925</u>

USAI, LLC

Notes to the Financial Statements - Continued
For the years ended December 31, 2013 and 2012

Note 5 Line of Credit

In September 2013, the Company extended its \$2,000,000 line of credit agreement with Key Bank. Monies borrowed under the line bear interest only and are due monthly at the prime rate announced by the lenders. The line of credit is secured by a first position lien on all of the Company's assets. The balance outstanding at December 31, 2013 and 2012 was \$699,699 and \$700,000, respectively.

Note 6 Notes Payable

The Company signed a three year note payable for the purchase of a vehicle in February 2011. Interest on the loan is fixed at 2.99%. In June 2012, the Company purchased equipment with a two year note payable and 0% interest.

On December 18, 2012, each stockholder transferred 10% of their stock ownership to a family trust. In conjunction with this transaction, the Company issued promissory notes to the owners for \$3,000,000. These notes mature on December 17, 2017 with interest payable annually at 2%. Interest expense on these notes was \$19,902 and \$0 for the years ended December 31, 2013 and 2012, respectively. The notes were paid in full by October 2013. However, as the interest expense was not paid by December 17, 2013, as per the promissory note, it was added to the notes principal. Therefore, the outstanding balance on this note at December 31, 2013 and 2012 was \$19,902 and \$3,000,000, respectively. As the note has been paid off as of October 2013, the 5 year maturity is not included below.

Maturities on these notes are as follows at December 31, 2013:

2014	<u>\$ 35,501</u>
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Note 7 Capital Lease

The Company was obligated under a capital lease agreement for certain equipment. The economic substance of this lease is that the Company is financing the acquisition of the equipment through the lease, and accordingly, it is recorded as a fixed asset and a liability. The lease term was for forty-eight months. Monthly payments were \$556. Final lease payment was made in 2013.

The following is an analysis of the leased asset included in property and equipment at December 31:

	<u>2013</u>	<u>2012</u>
Equipment	\$ 23,475	\$ 23,475
Less: Accumulated Depreciation	<u>23,475</u>	<u>23,403</u>
Net Book Value of Equipment	<u>\$ 0</u>	<u>\$ 72</u>

USAI, LLC

Notes to the Financial Statements - Continued
For the years ended December 31, 2013 and 2012

Note 8 Operating Leases

The Company is obligated under various equipment operating leases. The equipment lease expense for the years ending December 31, 2013 and 2012 was \$1,282 and \$6,769, respectively.

Future minimum lease payments for the next five years are as follows:

2014	\$ 15,628
2015	15,628
2016	15,628
2017	12,063
2018	<u>3,172</u>
Total	<u>\$ 62,119</u>

Note 9 Related Party Transactions

The Company leases a building in New Windsor, New York from a related party. The original lease period was for five years and expired on December 31, 2010. The lease has been renewed for another five years expiring on December 31, 2015. The monthly lease payment was \$22,650 in 2013 and 2012 and remains unchanged through the new lease expiration date. Rent expense in connection with this lease was \$271,800 for both years ended December 31, 2013 and 2012. Utilities are included in this payment.

Note 10 Employee Benefits

The Company offers a 401(k) Profit Sharing Plan to its employees in conformance with ERISA. The Plan covers all non-union employees who have met vesting requirements. Under the plan, eligible employees may elect to defer their salary subject to Internal Revenue Code limits. In 2012, the Company established a safe harbor contribution. The Company contributes 100% of the employee's elective deferrals up to 3% of their annual salary and 50% of the employee's elective deferrals that exceed 3% of their annual salary. Matching contributions for 2013 and 2012 were \$53,628 and \$41,417, respectively. The Company may make discretionary contributions to the plan, however it did not make any discretionary contributions for the years ended December 31, 2013 or 2012.

USAI, LLC

Supplementary Information
For the years ended December 31,

Schedule A - Cost of Sales

	<u>2013</u>	<u>2012</u>
Inventory - Beginning	\$ 5,041,712	\$ 4,530,512
Direct Labor	1,725,736	1,184,292
Purchases	14,855,120	9,554,859
Freight - In	1,085,304	594,835
Indirect Labor	1,774,478	1,466,044
Payroll Taxes	236,816	226,161
Employee Benefits	465,268	369,919
Factory Warehouse Expenses	239,006	146,389
Repairs and Maintenance	49,582	25,971
Supplies	18,233	14,206
Chargebacks - Labor	50,985	7,447
Depreciation	55,360	53,485
Rent and Utilities	156,000	156,000
Insurance	234,538	198,134
Inventory - Ending	<u>(5,843,342)</u>	<u>(5,041,712)</u>
Total Cost of Sales	<u>\$ 20,144,796</u>	<u>\$ 13,486,542</u>

See Independent Accountants' Review Report.

USAI, LLC

Supplementary Information
For the years ended December 31,

Schedule C - General and Administrative Expenses

	<u>2013</u>	<u>2012</u>
Members' Salary	\$ 301,154	\$ 301,154
Salaries	266,315	213,049
Payroll Taxes	46,972	39,562
Members' Life Insurance	19,005	24,366
401(k) Employer Match	18,595	16,676
Office Supplies and Expenses	89,775	96,748
Postage	11,302	8,615
Telephone	44,255	46,149
Equipment Rental	1,282	6,769
Depreciation	49,753	37,068
Professional Fees	88,815	51,223
Recruiting Fees	3,828	51,491
Rent and Utilities	115,800	115,800
Dues and Subscriptions	21,732	18,527
Data Processing	129,433	114,868
Filing Fees	7,178	3,000
Moving Expenses	15,000	15,026
Bad Debts Expense	12,000	12,000
Miscellaneous Expenses	<u>14,164</u>	<u>14,225</u>
Total General and Administrative Expenses	<u>\$ 1,256,358</u>	<u>\$ 1,186,316</u>

See Independent Accounts' Review Report.