

NATCO PHARMA, INC. T/A SAVEMART
FINANCIAL REPORT
FOR THE YEAR ENDED
MARCH 31, 2016

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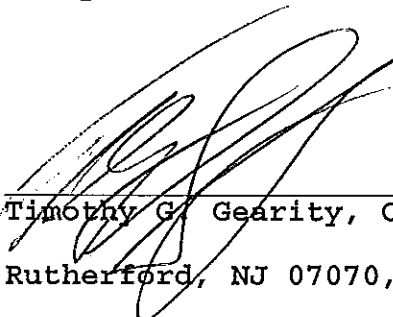
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Natco Pharma, Inc. T/A Savemart

We have audited the accompanying balance sheet of Natco Pharma, Inc. T/A Savemart (a C-Corporation) as of March 31, 2016 and the related statements of income and retained earnings and cash flows for the year ended March 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Natco Pharma, Inc. T/A Savemart as of March 31, 2016 and the results of its operations, its cash flows and changes in its retained earnings for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Timothy G. Gearity, CPA
Rutherford, NJ 07070, USA

May 5, 2016

NATCO PHARMA, INC. T/A SAVEMART
BALANCE SHEET
MARCH 31, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 633,656	
Accounts Receivable (Net of Allowance of \$100,000)	61,055	
Inventory	0	
Other Current Assets	<u>4,412,201</u>	
TOTAL CURRENT ASSETS		\$ 5,106,912

PROPERTY AND EQUIPMENT

0

OTHER ASSETS

0

TOTAL ASSETS

\$ 5,106,912

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 372,571	
Accrued Expenses and Other Current Liabilities	288,181	
Federal and State Income Taxes Payable	<u>512,941</u>	
TOTAL CURRENT LIABILITIES		\$ 1,173,693

LONG-TERM DEBT

0

STOCKHOLDER'S EQUITY

Common Stock, No Par Value, 1,500 Shares Authorized, 1,000 Shares Issued and Outstanding	\$ 1,000,000	
Retained Earnings	<u>2,933,219</u>	
TOTAL STOCKHOLDER'S EQUITY		3,933,219

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY

\$ 5,106,912

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC. T/A SAVEMART
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2016

	<u>Amount</u>	<u>% of Sales</u>
SALES	\$ 15,160,548	100.0%
COST OF SALES		
Beginning Inventory	1,255,265	8.3%
Purchases	11,505,532	75.9%
Freight	20,173	0.1%
Total	<u>12,780,970</u>	<u>84.3%</u>
Advertising Expense	288,686	1.9%
Total	<u>13,069,656</u>	<u>86.2%</u>
Less: Inventory Sold at Cost to Care-Mart, Inc.	<u>1,986,360</u>	<u>13.1%</u>
TOTAL COST OF SALES	<u>11,083,296</u>	<u>73.1%</u>
 GROSS PROFIT	 4,077,252	 26.9%
OPERATING EXPENSES	<u>2,200,340</u>	<u>14.5%</u>
 INCOME BEFORE ADMINISTRATIVE EXPENSES	 1,876,912	 12.4%
ADMINISTRATIVE EXPENSES	<u>289,621</u>	<u>1.9%</u>
 INCOME FROM OPERATIONS	 1,587,291	 10.5%
OTHER INCOME (EXPENSE)	<u>(506,800)</u>	<u>-3.3%</u>
NET INCOME (LOSS) BEFORE INCOME TAXES	<u>1,080,491</u>	<u>7.1%</u>
FEDERAL AND STATE INCOME TAXES		
Federal Income Taxes	649,858	4.3%
State Income Taxes	192,725	1.3%
Total Income Taxes	<u>842,583</u>	<u>5.6%</u>
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes	(74,499)	-0.5%
Deferred State Income Taxes	(21,285)	-0.1%
Total Deferred Income Taxes	<u>(95,784)</u>	<u>-0.6%</u>
NET INCOME (LOSS)	\$ <u>333,692</u>	<u>2.2%</u>
RETAINED EARNINGS		
Beginning Balance	\$ 3,199,527	
Net Income	333,692	
Less: Dividend Distributions	<u>(600,000)</u>	
ENDING BALANCE	\$ <u>2,933,219</u>	

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC. T/A SAVEMART
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
MARCH 31, 2016

Cash Flows from Operating Activities:	
Net Income (Loss)	\$ 333,692
Adjustments to reconcile net income (loss) to net cash provided in operating activities:	
Depreciation	24,486
(Gain)/Loss on Sale of Property and Equipment	(220,922)
(Gain)/Loss on Sale of Intangible Property	766,713
Net change in operating assets and liabilities:	
(Increase) Decrease in Accounts Receivable	855
(Increase) Decrease in Inventory	1,255,265
(Increase) Decrease in Other Current Assets	(4,111,649)
(Increase) Decrease in Security Deposit	11,631
Increase (Decrease) in Accounts Payable/Accrued Expenses	(115,277)
Increase (Decrease) in Federal and State Corporate Taxes Payable	477,432
Increase (Decrease) in Deferred Federal and State Income Taxes Payable	(95,784)
Total Adjustments	<u>(2,007,250)</u>
Net Cash Used By Operating Activities	<u>(1,673,558)</u>
Cash Flows from Investing Activities:	
Acquisition of Property and Equipment	(3,385)
Proceeds from Sale of Tangible/Intangible Assets	<u>2,200,000</u>
Net Cash Provided/(Used) By Investing Activities	<u>2,196,615</u>
Cash Flows from Financing Activities:	
Capital Lease Payments	0
Dividend Payments to Shareholder	<u>(600,000)</u>
Net Cash Provided By Financing Activities	<u>(600,000)</u>
Net Increase/(Decrease) in Cash	(76,943)
Cash at Beginning of Period	<u>710,599</u>
Cash at End of Period	<u>\$ 633,656</u>

SUPPLEMENTAL DISCLOSURE

<u>Income Taxes Paid During the Year Ended March 31, 2016:</u>	<u>Federal</u>	<u>Commonwealth of Pennsylvania</u>
Remaining Balance due for the Year Ended March 31, 2015	\$ 26,518	\$ 8,718
Estimated Tax Payments for the Year Ended March 31, 2016	255,000	90,000
Total Corporate Income Tax Payments-Year Ended March 31, 2016 \$	<u>\$ 281,518</u>	<u>\$ 98,718</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC. T/A SAVE MART
SUPPORTING SCHEDULES TO
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED
MARCH 31, 2016

	<u>Amount</u>	<u>% of Sales</u>
OPERATING EXPENSES		
Bad Debt Expense	312	0.0%
Cash Over & Short, Damages & Refused Coupons	62,532	0.4%
Contributions	12,969	0.1%
Depreciation	24,486	0.2%
Insurance-Health, Life, Disability	71,749	0.5%
Lease Expense	6,532	0.0%
Payroll Tax Expenses	122,095	0.8%
Rent	217,805	1.4%
Repairs and Maintenance	25,276	0.2%
Salaries - Store	839,708	5.5%
Salaries - Bonus	114,492	0.8%
Salaries - Pharmacy	276,404	1.8%
Vacation/Holiday/Sick Pay	39,330	0.3%
Service Charges	194,733	1.3%
Supplies	103,522	0.7%
Telephone	12,380	0.1%
Travel	26,880	0.2%
Utilities	49,135	0.3%
TOTAL OPERATING EXPENSES	\$ 2,200,340	14.5%
ADMINISTRATIVE EXPENSES		
Dues and Subscriptions	\$ 2,309	0.0%
Employer Matching 401-K	16,358	0.1%
Insurance-General	75,675	0.5%
Legal and Accounting Fees	51,435	0.3%
Office Expenses	20,688	0.0%
Office Supplies	7,949	0.1%
Professional Services	115,207	0.8%
TOTAL ADMINISTRATIVE EXPENSES	\$ 289,621	1.9%
OTHER INCOME (EXPENSE)		
Interest Income	\$ 3,767	0.0%
Coupon Handling Fees	1,789	0.0%
Loss on Sale of NATCO Pharma, Inc. Assets	(548,071)	-3.6%
Miscellaneous Income (Expense)	35,715	0.2%
TOTAL OTHER INCOME (EXPENSE)	\$ (506,800)	-3.3%

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS ACTIVITY

Natco Pharma, Inc. T/A Savemart, a "C" Corporation, was incorporated in the State of Delaware on October 10, 2006. The Corporation acquired the assets of H. Morgan Corporation T/A Savemart on July 9, 2007. The acquisition was reported using the purchase method of accounting. The Corporation is engaged in the retail distribution of health and beauty aids and the operation of a pharmacy at 241 West Roseville Road, Lancaster, Pennsylvania.

BASIS OF ACCOUNTING

The Corporation presents its financial statements on the accrual basis method of accounting in compliance with accounting principles generally accepted in the United States of America.

CASH

For purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit with financial institutions.

ACCOUNTS RECEIVABLE

The company has provided an allowance of \$100,000 for accounts outstanding over 120 days old and deemed to be non-collectible.

INVENTORY

Inventory is valued at the lower of cost or market using the first-in, first-out method. The inventory consists entirely of finished goods purchased from others to be sold at retail for both the pharmacy and retail store operations.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Assets acquired through lease agreements meeting requirements under generally accepted accounting principles that require capitalization are recorded at their fair market at the date of lease inception. Major additions and improvements are capitalized, and routine expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is provided using the straight-line method based on the estimated useful lives, ranging from five to seven years, of the related assets.

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of cost over the fair value of the net assets acquired through acquisition. In lieu of amortization, goodwill is to be evaluated on an annual basis for potential impairment.

INCOME TAXES

The Corporation has elected taxation as a "C" Corporation for federal and state income tax purposes.

ADVERTISING

Advertising costs are expensed as incurred. The company has mounted a concerted effort to boost its image with the public with a high profile marketing program and associations with the local semi-professional sports team and leading members of the community. Revenues from advertising/redemption of coupons were reported as \$ 62,763 for the year. Overall net advertising expenses were reported at a net cost of \$ 288,686 for the year.

USE OF ESTIMATES

The preparation of financial statements in accordance 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.

ASSET IMPAIRMENT

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is determined to be impaired, it is written down to its fair market value.

DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated up to the date of the issuance of this report on May 5, 2016.

NATCO PHARMA, INC. T/A SAVEMART
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2016

NOTE 2 - SALE OF NATCO PHARMA, INC. ASSETS TO CARE MART, INC.

Effective March 31, 2016 the tangible and intangible assets of NATCO PHARMA, INC. were sold to Care Mart, Inc. The Asset Sale Agreement was dated April 4, 2016, the date of actual closing, for the value of the assets as calculated through March 31, 2016. The ongoing operations of NATCO PHARMA, INC. T/A Savemart will be deemed to have effectively ceased as of March 31, 2016 as the entire workforce, assets and store activities were transferred effectively as of that date and are being carried forward by Care Mart, Inc. in a seamless transfer that has not been highly-publicized.

The financial terms of the agreement are:

1) The proceeds of the sale totaled \$ 4,203,859.50. The proceeds have been allocated to the following three segments:

1a) Entire Store Inventory (At Cost) \$ 1,986,359.50
 =====

1b) Store Assets
 Trade Name (Goodwill) \$ 945,000.00
 Covenant Not to Compete 970,000.00
 Furniture, Equipment & Fixtures 165,000.00
 Leasehold Improvements 120,000.00
 Total Store Assets \$ 2,200,000.00
 =====

1c) Additional Payments to Seller:
 Cash on hand in the safe \$ 5,000.00
 Lease Security Deposit 12,500.00
 Total Additional Items \$ 17,500.00
 =====

2) The payment of the proceeds will be completed as follows:

Payment at Closing \$ 2,897,350.00
 Promissory Note (6 Month) 1,203,859.50
 Bulk Sales Tax (Held in Escrow) 100,000.00
 Attorney Fees (Deducted) 2,650.00
 Total \$ 4,203,859.50
 =====

3) The seller's lease dated 7/09/07 with a remaining term through April, 2019 was assigned to Care Mart, Inc.

4) The promissory note is expected to earn \$21,155.10 when it matures in six months and the amount of \$1,225,014.60 will be due.

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Corporation maintains cash balances with Fulton Bank. Accounts maintained at commercial banks are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000. Management regularly monitors the financial conditions at the bank and tries to keep these risks at a minimum. The Company has not previously suffered any such losses. At March 31, 2016, the Corporation's main cash balance was approximately \$ 350,000 in excess of the FDIC's limit. Management feels that it is impractical to work with a lesser sum but has indicated that they will closely monitor the situation as they phase out the operation of the company with the funds being transferred according to the Parent Company's intended uses and will take immediate action should there be cause for concern in the near future.

NOTE 4 - LOSS ON DISPOSITION OF CORPORATION ASSETS (PER BOOK)

The Corporation realized a net loss of (\$ 548,071) per book on the disposition of the Corporation's assets:

Intangible Assets:

Goodwill (See Note 2)	\$ 945,000
Covenant Not To Compete (See Note 2)	970,000
Sale Price Per Agreement	\$ 1,915,000
Less: Net Book Value (Note 7)	(2,681,713)
(Loss) on Sale of Goodwill/Covenant	\$ (766,713)
	=====

Tangible Assets:

Furniture, Fixtures and Equipment (Sales Allocation-Note 2)	\$ 165,000
Less: Net Book Value	(21,646)
Gain on Sale of Furn., Fixt, Etc.	\$ 143,354
	=====

Leasehold Improvements (Note 2)	\$ 120,000
Less: Net Book Value	(42,431)
Gain on Sale of Lease. Improve.	\$ 77,569
	=====

Other:

Legal Costs-Closing (Note 2)	\$ (2,650)
Reimbursement-Cash in Safe (Note 2)	5,000
Less: Book Value of Cash on Hand	(5,500)
Reimbursement for Lease Sec. (Note 2)	12,500
Less: Lease Security (Per Books)	(11,631)
Gain on Other	\$ (2,281)
	=====

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 5 - GAIN ON DISPOSITION OF CORPORATION ASSETS (PER TAX)

The Corporation realized a net gain of \$ 677,037 for tax reporting purposes on the disposition of the Corporation's assets. The major disparity between the book and tax reported gain/(loss) on the disposition of the Corporation assets is that the tax laws of the United States allow for the annual amortization of intangible assets of the nature of goodwill over a fifteen year time period. For book purposes, the proper valuation of goodwill is based upon an annual evaluation of impairment or loss of value. In years past the book valuation for impairment write-down was limited to \$ 670,428 as compared to the \$ 1,950,836 of amortization allowed for tax purposes during this same time period. The tax effect associated with the gain reported for tax purposes is \$230,193 for Federal tax purposes and \$67,630 for the State of Pennsylvania.

Intangible Assets:

Goodwill (Sales Allocation-See Note 2)	\$	945,000
Covenant Not To Compete (Note 2)		970,000
Sales Price Per Agreement	\$	<u>1,915,000</u>
Less: Net Book Value (As per Tax)		<u>(1,401,305)</u>
Gain on Sale of Goodwill/Covenant	\$	<u>513,695</u>
		=====

Tangible Assets:

Furniture, Fixtures and Equipment (Sales Allocation-Note 2)	\$	165,000
Less: Net Book Value (As per Tax)		<u>(17,117)</u>
Gain on Sale of Furn., Fixt, Etc.	\$	<u>147,883</u>
		=====

Leasehold Improvements (Note 2)	\$	120,000
Less: Net Book Value (As per Tax)		<u>(98,477)</u>
Gain on Sale of Lease. Improve.	\$	<u>21,523</u>
		=====

Miscellaneous Tax Adjustment:

Write-off of Old Equipment Not Fully-Depreciated on Tax Records:		
One Hour Photo Equipment	\$	124,103
Less: Accumulated Depreciation		<u>(120,689)</u>
Write-off Net Book Value (Per Tax)	\$	<u>(3,414)</u>
		=====

Legal Costs - Closing (Note 2)	\$	(2,650)
		=====

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 6 - PROPERTY AND EQUIPMENT

The entire property, improvements and equipment of the Corporation has been sold effective March 31, 2016 to Care Mart, Inc. The property that was sold consisted of the following valuations at the time of sale (Note 2):

The property and equipment that was sold consisted of the following:

	<u>Useful Lives</u>	Cost Basis At Time of Sale
Pharmacy Equipment	5 Years	\$ 105,435
Furniture and Fixtures	7 Years	90,833
Computer Equipment	5 Years	121,561
Leasehold Improvements	6 Years	117,333
Total Property and Equipment		\$ <u>435,162</u>
Less: Accumulated Depreciation		(371,085)
Net Book Value (At Time of Sale)		\$ <u><u>64,077</u></u>

NOTE 7 - OTHER ASSETS

The intangible property of the Corporation was included in the sale effective March 31, 2016:

	Cost Basis At Time of Sale
Goodwill	\$ 3,352,141
Impairment of Goodwill	(670,428)
Net Book Value (Prior to Sale)	\$ <u><u>2,681,713</u></u>

The Corporation had classified as goodwill the excess of the purchase price of the acquisition over the fair value of the assets acquired. On an annual basis, goodwill had been tested for impairment and adjusted to reflect any impairment loss. In the year ended March 31, 2016, the assets of the Corporation were sold and a loss of (\$766,713) was recognized for the financial statements for the Corporation's goodwill/covenant not to compete valuations.

Goodwill is generally a valuation associated with providing an income stream that justifies the Corporation's assets having the ability to provide earnings at a higher level above what their financial

(continued on next page)

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

records indicate. Impairment is recognized when that continued ability to generate superior earnings may be at risk or demonstrating signs of weakness. While the Corporation had performed very well these past few years a fair amount of that success appears to have come from reducing personnel costs and fringe benefits inherited from prior ownership that appear to have been excessive. In the past year the employee headcount had dropped to 48 from 111 four years earlier. In the same time period, payroll costs have been reduced by almost 20 %. Going forward it does not appear likely that the Corporation will be able to function properly with less people than they have now.

The loss in valuation that the Corporation experienced with the sale of the Corporation's assets is indicative of the challenges that the Corporation would have faced in the coming years. First, their ability to continue to find ways to reduce operating costs year after year appears to have reached the optimum level. Instead of seeing future savings, the Corporation will now have to deal with inflationary pressures. One of the primary strengths of the Corporation has been its ability to sell its products for less than their competitors. Wal-Mart, K-Mart and some of the many near-by competitors who can purchase in higher quantities and benefit from higher volume discounts. It is also worthy of note that despite holding its gross margins at respectable levels, the Corporation's gross sales have been steadily decreasing by a few hundred thousand a year. The gross sales reported for 2016 are 86% of what they were 5 years ago.

Another factor to consider is the final 5 year option for the building lease was expiring in April, 2019. The future costs of operating the store appear likely to erode the level of progressive earnings that the Corporation has benefited from the past few years and the impairment that had been realized by the sale is a good indicator that the lofty goodwill valuation would be at greater risk with each passing year.

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 8 - ACCRUED EXPENSES

Accrued expenses and other current liabilities consist of the following:

	March 31, 2016
Reserve for Contingencies	\$ 123,529
Accrued Payroll/Vacation/Sick/Personal	70,296
Professional Services	42,796
Service Charges	14,531
Purchases of Goods	11,839
Commonwealth of Pennsylvania Sales Taxes	8,233
Payroll Tax Expenses	7,561
Payroll Tax Withholdings/Deductions	7,186
Miscellaneous	2,210
Total Accrued Expenses and Other Liabilities	\$ 288,181
	=====

NOTE 9 - RELATED PARTY TRANSACTIONS

The Corporation has made a short-term (one-year) loan of \$100,000 to NATCOfarma Do Brazil, a NATCO affiliate located in Brazil. The loan bears simple interest at the rate of 5% per annum. Interest income has not been accrued in these financial statements and the loan remains outstanding as of March 31, 2016.

A \$100,000 advance has also been reported under other current assets for the rights to the intellectual property, including all product formulas associated with the development of an arthritis aerosol foam product for the benefit of NATCO Pharma, Ltd., the parent company. The transaction had been made with a former employee of the parent company in October, 2009. The agreement states that if the product development efforts of the parent company should not be successful, the exclusive rights to the product will be returned to the former employee and the advance monies will be returned. The two-year time period for the agreement expired in October, 2011 and the monies have not been returned as of the date of this report. In the year ending March 31, 2016 an expense of \$30,000 was reported for the professional services provided by former employee, there by reducing the balance remaining on the loan to \$70,000. Management plans to recognize additional expenses in the coming year that will be used to pay-off the loan.

A \$100,000 reserve had been set aside in an earlier time period to the reserve for doubtful accounts in the event this advance proves to not be fully-collectible.

NATCO PHARMA, INC. T/A SAVEMART
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 10 - CORPORATE INCOME TAXES PAYABLE/EXPENSE

In accordance with generally accepted accounting principles, an entity recognizes deferred tax assets and/or liabilities for the future tax consequences of events that have been previously recognized in the Corporation's financial statements or tax returns. In the year ended March 31, 2016, the assets of the Corporation have been sold and continuing operations have been terminated. Deferred taxable income has been recognized as the deferred tax liabilities that have accumulated from prior years have been closed out to income.

The provision for income taxes for the period ending March 31, 2016 is comprised as follows:

	<u>Federal</u>	<u>Commonwealth Of Pennsylvania</u>
Corporate Taxes on Income from Operations	\$ 419,665	\$ 125,045
Corporate Taxes on Disposition of Assets	<u>230,193</u>	<u>67,630</u>
Total Corporate Tax Expense	\$ <u>649,858</u> =====	\$ <u>192,725</u> =====

NOTE 11 - RETIREMENT PLAN

The Corporation provides a 401(k) retirement plan for all employees meeting certain age and length of service requirements. Eligible employees may make contributions to the plan. The Corporation's matching contributions were \$16,358 for the year.

NOTE 12 - OPERATING LEASES

With the sale of the Corporation assets effective March 31, 2016 the corporation effectively assigned its future lease rights that it held through April, 2019 to Care Mart, Inc. and therefore has no operating lease commitments going forward.