

|                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                         |
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| <b>Form 5500</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security<br>Administration<br><br>Pension Benefit Guaranty Corporation | <b>Annual Return/Report of Employee Benefit Plan</b><br><br>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).<br><br><p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p> | OMB Nos. 1210-0110<br>1210-0089<br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
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| <b>Part I</b>                                                                                            | <b>Annual Report Identification Information</b>                                                                                                                                                                                           |
| For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u> |                                                                                                                                                                                                                                           |
| A This return/report is for:                                                                             | <input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan; or<br><input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) ____                         |
| B This return/report is:                                                                                 | <input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report;<br><input type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months). |
| C If the plan is a collectively-bargained plan, check here. . . . .                                      | <input type="checkbox"/>                                                                                                                                                                                                                  |
| D Check box if filing under:                                                                             | <input checked="" type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program;<br><input type="checkbox"/> special extension (enter description)                                 |

|                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|------------|-------------------------------------------------------|--|---------------------------------------------------------------------|--|-------------------------------------------------------------|--|-------------------------------------------------------------|--|
| <b>Part II</b>                                                                                                                                                                                          | <b>Basic Plan Information—enter all requested information</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>1a</b> Name of plan<br><u>HYDRANAUTICS 401(K) PROFIT SHARING PLAN</u>                                                                                                                                | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>1b</b> Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>003</u></td> </tr> <tr> <td colspan="2"><b>1c</b> Effective date of plan<br/><u>10/01/1987</u></td> </tr> <tr> <td colspan="2"><b>2b</b> Employer Identification Number (EIN)<br/><u>95-2949422</u></td> </tr> <tr> <td colspan="2"><b>2c</b> Sponsor's telephone number<br/><u>760-901-2518</u></td> </tr> <tr> <td colspan="2"><b>2d</b> Business code (see instructions)<br/><u>339900</u></td> </tr> </table> | <b>1b</b> Three-digit plan number (PN) ▶ | <u>003</u> | <b>1c</b> Effective date of plan<br><u>10/01/1987</u> |  | <b>2b</b> Employer Identification Number (EIN)<br><u>95-2949422</u> |  | <b>2c</b> Sponsor's telephone number<br><u>760-901-2518</u> |  | <b>2d</b> Business code (see instructions)<br><u>339900</u> |  |
| <b>1b</b> Three-digit plan number (PN) ▶                                                                                                                                                                | <u>003</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>1c</b> Effective date of plan<br><u>10/01/1987</u>                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2b</b> Employer Identification Number (EIN)<br><u>95-2949422</u>                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2c</b> Sponsor's telephone number<br><u>760-901-2518</u>                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2d</b> Business code (see instructions)<br><u>339900</u>                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |
| <b>2a</b> Plan sponsor's name and address; include room or suite number (employer, if for a single-employer plan)<br><br><u>HYDRANAUTICS</u><br><br><u>401 JONES ROAD</u><br><u>OCEANSIDE, CA 92058</u> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                          |            |                                                       |  |                                                                     |  |                                                             |  |                                                             |  |

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

|                                                                                                            |                                                                                      |                    |                                                                     |
|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------|---------------------------------------------------------------------|
| <b>SIGN HERE</b>                                                                                           | Filed with authorized/valid electronic signature.<br>Signature of plan administrator | 10/02/2014<br>Date | ANA GOMEZ<br>Enter name of individual signing as plan administrator |
| <b>SIGN HERE</b>                                                                                           | Signature of employer/plan sponsor                                                   | Date               | Enter name of individual signing as employer or plan sponsor        |
| <b>SIGN HERE</b>                                                                                           | Signature of DFE                                                                     | Date               | Enter name of individual signing as DFE                             |
| Preparer's name (including firm name, if applicable) and address; include room or suite number. (optional) |                                                                                      |                    | Preparer's telephone number (optional)                              |

|                                                                                                                                                                                                                                                                                                                                                                                                                            |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor Name <input type="checkbox"/> Same as Plan Sponsor Address                                                                                                                                                                                                                                                        |  | <b>3b</b> Administrator's EIN                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:<br><b>a</b> Sponsor's name                                                                                                                                                                                                          |  | <b>3c</b> Administrator's telephone number<br><br><b>4b</b> EIN<br><b>4c</b> PN                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>5</b> Total number of participants at the beginning of the plan year                                                                                                                                                                                                                                                                                                                                                    |  | <b>5</b> 548                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>6</b> Number of participants as of the end of the plan year (welfare plans complete only lines <b>6a</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).                                                                                                                                                                                                                                                                     |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>a</b> Active participants .....                                                                                                                                                                                                                                                                                                                                                                                         |  | <b>6a</b> 493                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>b</b> Retired or separated participants receiving benefits .....                                                                                                                                                                                                                                                                                                                                                        |  | <b>6b</b> 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                                                                                                                                                                                                                                                                                          |  | <b>6c</b> 102                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>d</b> Subtotal. Add lines <b>6a</b> , <b>6b</b> , and <b>6c</b> .....                                                                                                                                                                                                                                                                                                                                                   |  | <b>6d</b> 600                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits .....                                                                                                                                                                                                                                                                                                                 |  | <b>6e</b> 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                                                                                                                                                                                                                                                                                    |  | <b>6f</b> 603                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) .....                                                                                                                                                                                                                                                                            |  | <b>6g</b> 564                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested .....                                                                                                                                                                                                                                                                                |  | <b>6h</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....                                                                                                                                                                                                                                                                                        |  | <b>7</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:<br>2E 2F 2G 2J 2K 2T 3D 3H                                                                                                                                                                                                                                    |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:                                                                                                                                                                                                                                                                |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>9a</b> Plan funding arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                              |  | <b>9b</b> Plan benefit arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                                                                                                |
| <b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)                                                                                                                                                                                                                                                          |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>a Pension Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)<br><br>(2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary<br><br>(3) <input type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary |  | <b>b General Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information)<br>(2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan)<br>(3) <input type="checkbox"/> <b>A</b> (Insurance Information)<br>(4) <input checked="" type="checkbox"/> <b>C</b> (Service Provider Information)<br>(5) <input checked="" type="checkbox"/> <b>D</b> (DFE/Participating Plan Information)<br>(6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules) |

|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        |                                                |
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| <b>SCHEDULE C</b><br><b>(Form 5500)</b><br><br>Department of the Treasury<br>Internal Revenue Service<br><br>Department of Labor<br>Employee Benefits Security Administration<br><br>Pension Benefit Guaranty Corporation | <b>Service Provider Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br><br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110                              |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>2013</b>                                    |
|                                                                                                                                                                                                                           |                                                                                                                                                                                                                        | <b>This Form is Open to Public Inspection.</b> |

For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013

|                                                                                      |                                                                    |
|--------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| <b>A</b> Name of plan<br><u>HYDRANAUTICS 401(K) PROFIT SHARING PLAN</u>              | <b>B</b> Three-digit plan number (PN) <u>003</u>                   |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>HYDRANAUTICS</u> | <b>D</b> Employer Identification Number (EIN)<br><u>95-2949422</u> |

**Part I Service Provider Information (see instructions)**

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

**1 Information on Persons Receiving Only Eligible Indirect Compensation**

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation  
FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

**(b)** Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 37 60 64 65            | RECORDKEEPER                                                                                      | 12177                                                                  | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                  | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                            | 0                                                                                                                                                                               | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                          |

(a) Enter name and EIN or address (see instructions)

WRIGHT FORD YOUNG & COMPANY

95-3288054

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 10                     | ACCOUNTANT                                                                                        | 6750                                                                   | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                  | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                            | 0                                                                                                                                                                               | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                          |

(a) Enter name and EIN or address (see instructions)

FIRST CLEARING LLC

23-2384840

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 61                     | ADVISOR                                                                                           | 0                                                                      | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                  | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                            | 0                                                                                                                                                                               | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                          |

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**(a)** Enter name and EIN or address (see instructions)

| <b>(b)</b><br>Service Code(s) | <b>(c)</b><br>Relationship to employer, employee organization, or person known to be a party-in-interest | <b>(d)</b><br>Enter direct compensation paid by the plan. If none, enter -0-. | <b>(e)</b><br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | <b>(f)</b><br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | <b>(g)</b><br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | <b>(h)</b><br>Did the service provider give you a formula instead of an amount or estimated amount? |
|-------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                               |                                                                                                          |                                                                               | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                    | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                              |                                                                                                                                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                            |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2                                                    | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                         | 60                                      | 0                                         |
| <div style="text-align: center;">(d) Enter name and EIN (address) of source of indirect compensation</div> |                                         |                                           |
| CALV SH DUR INCOME A - BOSTON FINA<br><br>13-2953455                                                       | 0.25%                                   |                                           |
| <div style="text-align: center;">(a) Enter service provider name as it appears on line 2</div>             |                                         |                                           |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                         | 60                                      | 0                                         |
| <div style="text-align: center;">(d) Enter name and EIN (address) of source of indirect compensation</div> |                                         |                                           |
| INVS DEVELOP MKTS A - INVESCO CANA      5140 YONGE STREET, SUITE 900<br>TORONTO, ON M2N 6 CA               | 0.35%                                   |                                           |
| <div style="text-align: center;">(a) Enter service provider name as it appears on line 2</div>             |                                         |                                           |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                         | 60                                      | 0                                         |
| <div style="text-align: center;">(d) Enter name and EIN (address) of source of indirect compensation</div> |                                         |                                           |
| INVS EQUITY & INC A - INVESCO INVE      11 GREENWAY PLAZA, SUITE 100<br>HOUSTON, TX 77046                  | 0.35%                                   |                                           |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)    | (c) Enter amount of indirect compensation                                                                                                                          |
|---------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                         | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation |                                            | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| JPM EQUITY IDX A - BOSTON FINANCIA                                  | 330 W. 9TH STREET<br>KANSAS CITY, MO 66160 | 0.05%                                                                                                                                                              |
| (a) Enter service provider name as it appears on line 2             |                                            | (b) Service Codes<br>(see instructions)                                                                                                                            |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                         | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation |                                            | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| JPM INTL EQ INDEX A - BOSTON FINAN                                  | 330 W. 9TH STREET<br>KANSAS CITY, MO 66160 | 0.05%                                                                                                                                                              |
| (a) Enter service provider name as it appears on line 2             |                                            | (b) Service Codes<br>(see instructions)                                                                                                                            |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                         | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation |                                            | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| JPM MKT EXP ENH A - BOSTON FINANCI                                  | 330 W. 9TH STREET<br>KANSAS CITY, MO 66160 | 0.05%                                                                                                                                                              |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2                                                                 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                      | 60                                      | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation                                                     |                                         | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| OPPENHEIMER GLOBAL A - OFI GLOBAL<br>TWO WORLD FINANCIAL CENTER<br>225 LIBERTY STREET, 14TH FLOOR<br>NEW YORK, NY 10281 | 0.25%                                   |                                                                                                                                                                    |
| <hr/>                                                                                                                   |                                         |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                                                 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                      | 60                                      | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation                                                     |                                         | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| PIF SMCP S&P 600 R3 - PRINCIPAL SH<br>711 HIGH ST.<br>DES MOINES, IA 50392                                              | 0.30%                                   |                                                                                                                                                                    |
| <hr/>                                                                                                                   |                                         |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                                                 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                      | 60                                      | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation                                                     |                                         | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| PUTN EQUITY INCOME A - PUTNAM INVE<br><br>04-2539562                                                                    | 0.25%                                   |                                                                                                                                                                    |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2                                                                                                            | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                                                                 | 60                                      | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation                                                                                                |                                         |                                           |
| RS PARTNERS A - BOSTON FINANCIAL D      P.O. BOX 8480<br>BOSTON, MA 02266                                                                                          | 0.25%                                   |                                           |
| (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                         |                                           |
| (a) Enter service provider name as it appears on line 2                                                                                                            |                                         |                                           |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                                                                 | 60                                      | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation                                                                                                |                                         |                                           |
| THORNBURG INT VAL R4 - BOSTON FINA      P.O. BOX 8480<br>BOSTON, MA 02266                                                                                          | 0.25%                                   |                                           |
| (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                         |                                           |
| (a) Enter service provider name as it appears on line 2                                                                                                            |                                         |                                           |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                                                                 | 60                                      | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation                                                                                                |                                         |                                           |
| TRP BLUE CHIP GRTH R - T. ROWE PRI                                                                                                                                 | 0.40%                                   |                                           |
| (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                         |                                           |
| 52-2269240                                                                                                                                                         |                                         |                                           |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
| TRP RETIRE INCOME R - T. ROWE PRIC                                  | 0.40%                                                                                                                                                              |                                           |
| 52-2269240                                                          |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
| TRP RETIRE 2005 R - T. ROWE PRICE                                   | 0.40%                                                                                                                                                              |                                           |
| 52-2269240                                                          |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
| TRP RETIRE 2010 R - T. ROWE PRICE                                   | 0.40%                                                                                                                                                              |                                           |
| 52-2269240                                                          |                                                                                                                                                                    |                                           |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2                                                                                                                                       | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                                                                                            | 60                                      | 0                                         |
| <p><b>(d)</b> Enter name and EIN (address) of source of indirect compensation</p> <p>TRP RETIRE 2015 R - T. ROWE PRICE</p> <p>52-2269240</p>                                                  |                                         |                                           |
| <p><b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> |                                         |                                           |
| <p><b>(a)</b> Enter service provider name as it appears on line 2</p> <p>FIDELITY INVESTMENTS INSTITUTIONAL</p>                                                                               |                                         |                                           |
| <p><b>(b)</b> Service Codes<br/>(see instructions)</p> <p>60</p>                                                                                                                              |                                         |                                           |
| <p><b>(c)</b> Enter amount of indirect compensation</p> <p>0</p>                                                                                                                              |                                         |                                           |
| <p><b>(d)</b> Enter name and EIN (address) of source of indirect compensation</p> <p>TRP RETIRE 2020 R - T. ROWE PRICE</p> <p>52-2269240</p>                                                  |                                         |                                           |
| <p><b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> |                                         |                                           |
| <p><b>(a)</b> Enter service provider name as it appears on line 2</p> <p>FIDELITY INVESTMENTS INSTITUTIONAL</p>                                                                               |                                         |                                           |
| <p><b>(b)</b> Service Codes<br/>(see instructions)</p> <p>60</p>                                                                                                                              |                                         |                                           |
| <p><b>(c)</b> Enter amount of indirect compensation</p> <p>0</p>                                                                                                                              |                                         |                                           |
| <p><b>(d)</b> Enter name and EIN (address) of source of indirect compensation</p> <p>TRP RETIRE 2025 R - T. ROWE PRICE</p> <p>52-2269240</p>                                                  |                                         |                                           |
| <p><b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> |                                         |                                           |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2                                                                                                                                       | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                                                                                                            | 60                                      | 0                                         |
| <p><b>(d)</b> Enter name and EIN (address) of source of indirect compensation</p> <p>TRP RETIRE 2030 R - T. ROWE PRICE</p> <p>52-2269240</p>                                                  |                                         |                                           |
| <p><b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> |                                         |                                           |
| <p><b>(a)</b> Enter service provider name as it appears on line 2</p> <p>FIDELITY INVESTMENTS INSTITUTIONAL</p>                                                                               |                                         |                                           |
| <p><b>(b)</b> Service Codes<br/>(see instructions)</p> <p>60</p>                                                                                                                              |                                         |                                           |
| <p><b>(c)</b> Enter amount of indirect compensation</p> <p>0</p>                                                                                                                              |                                         |                                           |
| <p><b>(d)</b> Enter name and EIN (address) of source of indirect compensation</p> <p>TRP RETIRE 2035 R - T. ROWE PRICE</p> <p>52-2269240</p>                                                  |                                         |                                           |
| <p><b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> |                                         |                                           |
| <p><b>(a)</b> Enter service provider name as it appears on line 2</p> <p>FIDELITY INVESTMENTS INSTITUTIONAL</p>                                                                               |                                         |                                           |
| <p><b>(b)</b> Service Codes<br/>(see instructions)</p> <p>60</p>                                                                                                                              |                                         |                                           |
| <p><b>(c)</b> Enter amount of indirect compensation</p> <p>0</p>                                                                                                                              |                                         |                                           |
| <p><b>(d)</b> Enter name and EIN (address) of source of indirect compensation</p> <p>TRP RETIRE 2040 R - T. ROWE PRICE</p> <p>52-2269240</p>                                                  |                                         |                                           |
| <p><b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.</p> <p>0.40%</p> |                                         |                                           |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
| TRP RETIRE 2045 R - T. ROWE PRICE                                   | 0.40%                                                                                                                                                              |                                           |
| 52-2269240                                                          |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
| TRP RETIRE 2050 R - T. ROWE PRICE                                   | 0.40%                                                                                                                                                              |                                           |
| 52-2269240                                                          |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                  | 60                                                                                                                                                                 | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
| TRP RETIRE 2055 R - T. ROWE PRICE                                   | 0.40%                                                                                                                                                              |                                           |
| 52-2269240                                                          |                                                                                                                                                                    |                                           |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2                    | (b) Service Codes<br>(see instructions)                                                                                                                                                                                                           | (c) Enter amount of indirect compensation |
|----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| FIRST CLEARING LLC                                                         | 61                                                                                                                                                                                                                                                | 0                                         |
| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation |                                                                                                                                                                                                                                                   |                                           |
| JPM INTL EQ INDEX A - JPMORGAN DIS                                         | <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.<br>\$0-<\$4M=1.00%, \$4M-<\$10M=0.75%, \$10M-<\$50M=0.50%, \$50M+=0.25% |                                           |
| 13-2624428                                                                 |                                                                                                                                                                                                                                                   |                                           |
| <b>(a)</b> Enter service provider name as it appears on line 2             |                                                                                                                                                                                                                                                   |                                           |
| FIRST CLEARING LLC                                                         | 61                                                                                                                                                                                                                                                | 0                                         |
| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation |                                                                                                                                                                                                                                                   |                                           |
| JPM MKT EXP ENH A - JPMORGAN DISTR                                         | <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.<br>\$0+=0.25%                                                           |                                           |
| 13-2624428                                                                 |                                                                                                                                                                                                                                                   |                                           |
| <b>(a)</b> Enter service provider name as it appears on line 2             |                                                                                                                                                                                                                                                   |                                           |
| FIRST CLEARING LLC                                                         | 61                                                                                                                                                                                                                                                | 0                                         |
| <b>(d)</b> Enter name and EIN (address) of source of indirect compensation |                                                                                                                                                                                                                                                   |                                           |
| OPPENHEIMER GLOBAL A - OPPENHEIMER                                         | <b>(e)</b> Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.<br>\$5M+=0.25%                                                          |                                           |
| 13-2953455                                                                 |                                                                                                                                                                                                                                                   |                                           |

**Part I Service Provider Information (continued)**

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| FIRST CLEARING LLC                                                  | 61                                                                                                                                                                 | 0                                         |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
| PUTN EQUITY INCOME A - PUTNAM RETA<br><br>04-1223767                | \$0-<\$1M=1.00%, \$1M-<\$2M=0.75%, \$2M+=0.50%                                                                                                                     |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |
| (a) Enter service provider name as it appears on line 2             | (b) Service Codes<br>(see instructions)                                                                                                                            | (c) Enter amount of indirect compensation |
|                                                                     |                                                                                                                                                                    |                                           |
| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |                                           |
|                                                                     |                                                                                                                                                                    |                                           |

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|--------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |
|                                                                          |                               |                                                                                     |

**Part III** **Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                                                                                                                                                                                                               |                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SCHEDULE D</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small> | <b>DFE/Participating Plan Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br><br><b>► File as an attachment to Form 5500.</b> | <small>OMB No. 1210-0110</small><br><br><div style="text-align: center; border-top: 1px solid black; border-bottom: 1px solid black; padding: 5px;"><b>2013</b></div><br><br><div style="text-align: center; border-top: 1px solid black; padding: 5px;"><b>This Form is Open to Public Inspection.</b></div> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                |                                                                                                   |                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|---------------------------------------|
| For calendar plan year 2013 or fiscal plan year beginning <span style="color: blue;">01/01/2013</span> and ending <span style="color: blue;">12/31/2013</span> |                                                                                                   |                                       |
| <b>A</b> Name of plan<br><span style="color: blue;">HYDRANAUTICS 401(K) PROFIT SHARING PLAN</span>                                                             | <b>B</b> Three-digit plan number (PN) <span style="color: blue;">►</span>                         | <span style="color: blue;">003</span> |
|                                                                                                                                                                |                                                                                                   |                                       |
| <b>C</b> Plan or DFE sponsor's name as shown on line 2a of Form 5500<br><span style="color: blue;">HYDRANAUTICS</span>                                         | <b>D</b> Employer Identification Number (EIN)<br><br><span style="color: blue;">95-2949422</span> |                                       |

|               |                                                                                                                                                                                  |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Part I</b> | <b>Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs)</b><br>(Complete as many entries as needed to report all interests in DFEs) |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|          |                                                                                         |
|----------|-----------------------------------------------------------------------------------------|
| <b>a</b> | Name of MTIA, CCT, PSA, or 103-12 IE: <span style="color: blue;">FA STABLE VALUE</span> |
|----------|-----------------------------------------------------------------------------------------|

|          |                                                                                                              |
|----------|--------------------------------------------------------------------------------------------------------------|
| <b>b</b> | Name of sponsor of entity listed in (a): <span style="color: blue;">FIDELITY MANAGEMENT TRUST COMPANY</span> |
|----------|--------------------------------------------------------------------------------------------------------------|

|                                                                  |                                                          |                                                                                                                                               |
|------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN <span style="color: blue;">04-3022712-026</span> | <b>d</b> Entity code <span style="color: blue;">C</span> | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) <span style="color: blue;">3186259</span> |
|------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|

|          |                                       |
|----------|---------------------------------------|
| <b>a</b> | Name of MTIA, CCT, PSA, or 103-12 IE: |
|----------|---------------------------------------|

|          |                                          |
|----------|------------------------------------------|
| <b>b</b> | Name of sponsor of entity listed in (a): |
|----------|------------------------------------------|

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

|          |                                       |
|----------|---------------------------------------|
| <b>a</b> | Name of MTIA, CCT, PSA, or 103-12 IE: |
|----------|---------------------------------------|

|          |                                          |
|----------|------------------------------------------|
| <b>b</b> | Name of sponsor of entity listed in (a): |
|----------|------------------------------------------|

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

|          |                                       |
|----------|---------------------------------------|
| <b>a</b> | Name of MTIA, CCT, PSA, or 103-12 IE: |
|----------|---------------------------------------|

|          |                                          |
|----------|------------------------------------------|
| <b>b</b> | Name of sponsor of entity listed in (a): |
|----------|------------------------------------------|

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

|          |                                       |
|----------|---------------------------------------|
| <b>a</b> | Name of MTIA, CCT, PSA, or 103-12 IE: |
|----------|---------------------------------------|

|          |                                          |
|----------|------------------------------------------|
| <b>b</b> | Name of sponsor of entity listed in (a): |
|----------|------------------------------------------|

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

|          |                                       |
|----------|---------------------------------------|
| <b>a</b> | Name of MTIA, CCT, PSA, or 103-12 IE: |
|----------|---------------------------------------|

|          |                                          |
|----------|------------------------------------------|
| <b>b</b> | Name of sponsor of entity listed in (a): |
|----------|------------------------------------------|

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

|          |                                       |
|----------|---------------------------------------|
| <b>a</b> | Name of MTIA, CCT, PSA, or 103-12 IE: |
|----------|---------------------------------------|

|          |                                          |
|----------|------------------------------------------|
| <b>b</b> | Name of sponsor of entity listed in (a): |
|----------|------------------------------------------|

|                 |                      |                                                                                                     |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>c</b> EIN-PN | <b>d</b> Entity code | <b>e</b> Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) |
|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|

**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity  
code**e** Dollar value of interest in MTIA, CCT, PSA, or  
103-12 IE at end of year (see instructions)

**Part II Information on Participating Plans (to be completed by DFEs)**

(Complete as many entries as needed to report all participating plans)

**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN**a** Plan name**b** Name of  
plan sponsor**c** EIN-PN

|                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                              |                                                                                                          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Financial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500.</b> | <small>OMB No. 1210-0110</small><br><br><b>2013</b><br><br><b>This Form is Open to Public Inspection</b> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|

|                                                                                                          |                                                                            |            |
|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------|
| For calendar plan year 2013 or fiscal plan year beginning <u>01/01/2013</u> and ending <u>12/31/2013</u> |                                                                            |            |
| <b>A</b> Name of plan<br><u>HYDRANAUTICS 401(K) PROFIT SHARING PLAN</u>                                  | <b>B</b> Three-digit plan number (PN) <span style="float: right;">►</span> | <u>003</u> |
|                                                                                                          |                                                                            |            |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>HYDRANAUTICS</u>                     | <b>D</b> Employer Identification Number (EIN)<br><br><u>95-2949422</u>     |            |

|               |                                      |
|---------------|--------------------------------------|
| <b>Part I</b> | <b>Asset and Liability Statement</b> |
|---------------|--------------------------------------|

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets                                                                                            |                 | (a) Beginning of Year | (b) End of Year |
|---------------------------------------------------------------------------------------------------|-----------------|-----------------------|-----------------|
| <b>a</b> Total noninterest-bearing cash .....                                                     | <b>1a</b>       | 0                     | 0               |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                      |                 |                       |                 |
| <b>(1)</b> Employer contributions.....                                                            | <b>1b(1)</b>    | 0                     | 0               |
| <b>(2)</b> Participant contributions.....                                                         | <b>1b(2)</b>    | 0                     | 0               |
| <b>(3)</b> Other.....                                                                             | <b>1b(3)</b>    | 0                     | 0               |
| <b>c</b> General investments:                                                                     |                 |                       |                 |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit).....   | <b>1c(1)</b>    | 659647                | 0               |
| <b>(2)</b> U.S. Government securities .....                                                       | <b>1c(2)</b>    | 0                     | 0               |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                           |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                        | <b>1c(3)(A)</b> | 0                     | 0               |
| <b>(B)</b> All other.....                                                                         | <b>1c(3)(B)</b> | 0                     | 0               |
| <b>(4)</b> Corporate stocks (other than employer securities):                                     |                 |                       |                 |
| <b>(A)</b> Preferred .....                                                                        | <b>1c(4)(A)</b> | 0                     | 0               |
| <b>(B)</b> Common.....                                                                            | <b>1c(4)(B)</b> | 0                     | 0               |
| <b>(5)</b> Partnership/joint venture interests .....                                              | <b>1c(5)</b>    | 0                     | 0               |
| <b>(6)</b> Real estate (other than employer real property).....                                   | <b>1c(6)</b>    | 0                     | 0               |
| <b>(7)</b> Loans (other than to participants) .....                                               | <b>1c(7)</b>    | 0                     | 0               |
| <b>(8)</b> Participant loans.....                                                                 | <b>1c(8)</b>    | 939093                | 1090511         |
| <b>(9)</b> Value of interest in common/collective trusts .....                                    | <b>1c(9)</b>    | 2440770               | 3186259         |
| <b>(10)</b> Value of interest in pooled separate accounts .....                                   | <b>1c(10)</b>   | 0                     | 0               |
| <b>(11)</b> Value of interest in master trust investment accounts .....                           | <b>1c(11)</b>   | 0                     | 0               |
| <b>(12)</b> Value of interest in 103-12 investment entities.....                                  | <b>1c(12)</b>   | 0                     | 0               |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....        | <b>1c(13)</b>   | 16320768              | 21525257        |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts)..... | <b>1c(14)</b>   |                       |                 |
| <b>(15)</b> Other.....                                                                            | <b>1c(15)</b>   | 0                     | 0               |

**1d** Employer-related investments:

|                                                                      |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> | 0                     | 0               |
| (2) Employer real property .....                                     | <b>1d(2)</b> | 0                     | 0               |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    | 0                     | 0               |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 20360278              | 25802027        |

**Liabilities**

|                                                                           |           |   |   |
|---------------------------------------------------------------------------|-----------|---|---|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> | 0 | 0 |
| <b>h</b> Operating payables .....                                         | <b>1h</b> | 0 | 0 |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> | 0 | 0 |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> | 0 | 0 |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 0 | 0 |

**Net Assets**

|                                                           |           |          |          |
|-----------------------------------------------------------|-----------|----------|----------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 20360278 | 25802027 |
|-----------------------------------------------------------|-----------|----------|----------|

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income**

|                                                                                                            |                 | (a) Amount | (b) Total |
|------------------------------------------------------------------------------------------------------------|-----------------|------------|-----------|
| <b>a Contributions:</b>                                                                                    |                 |            |           |
| (1) Received or receivable in cash from: <b>(A)</b> Employers .....                                        | <b>2a(1)(A)</b> | 944252     |           |
| <b>(B)</b> Participants .....                                                                              | <b>2a(1)(B)</b> | 1950922    |           |
| <b>(C)</b> Others (including rollovers) .....                                                              | <b>2a(1)(C)</b> | 45720      |           |
| (2) Noncash contributions .....                                                                            | <b>2a(2)</b>    | 0          |           |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |            | 2940894   |
| <b>b Earnings on investments:</b>                                                                          |                 |            |           |
| (1) Interest:                                                                                              |                 |            |           |
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....       | <b>2b(1)(A)</b> | 33         |           |
| <b>(B)</b> U.S. Government securities .....                                                                | <b>2b(1)(B)</b> | 0          |           |
| <b>(C)</b> Corporate debt instruments .....                                                                | <b>2b(1)(C)</b> | 0          |           |
| <b>(D)</b> Loans (other than to participants) .....                                                        | <b>2b(1)(D)</b> | 0          |           |
| <b>(E)</b> Participant loans .....                                                                         | <b>2b(1)(E)</b> | 49192      |           |
| <b>(F)</b> Other .....                                                                                     | <b>2b(1)(F)</b> | 0          |           |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                              | <b>2b(1)(G)</b> |            | 49225     |
| (2) Dividends: <b>(A)</b> Preferred stock .....                                                            | <b>2b(2)(A)</b> | 0          |           |
| <b>(B)</b> Common stock .....                                                                              | <b>2b(2)(B)</b> | 0          |           |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds) .....                                  | <b>2b(2)(C)</b> | 1304100    |           |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....                  | <b>2b(2)(D)</b> |            | 1304100   |
| (3) Rents .....                                                                                            | <b>2b(3)</b>    |            | 0         |
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....                                 | <b>2b(4)(A)</b> | 0          |           |
| <b>(B)</b> Aggregate carrying amount (see instructions) .....                                              | <b>2b(4)(B)</b> | 0          |           |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....                  | <b>2b(4)(C)</b> |            | 0         |
| (5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....                         | <b>2b(5)(A)</b> | 0          |           |
| <b>(B)</b> Other .....                                                                                     | <b>2b(5)(B)</b> | 0          |           |
| <b>(C)</b> Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....         | <b>2b(5)(C)</b> |            | 0         |

|                                                                                                 |        | (a) Amount | (b) Total |
|-------------------------------------------------------------------------------------------------|--------|------------|-----------|
| (6) Net investment gain (loss) from common/collective trusts .....                              | 2b(6)  |            | 4155      |
| (7) Net investment gain (loss) from pooled separate accounts .....                              | 2b(7)  |            | 0         |
| (8) Net investment gain (loss) from master trust investment accounts .....                      | 2b(8)  |            | 0         |
| (9) Net investment gain (loss) from 103-12 investment entities .....                            | 2b(9)  |            | 0         |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) ..... | 2b(10) |            | 2652583   |
| c Other income .....                                                                            | 2c     |            | 0         |
| d Total income. Add all <b>income</b> amounts in column (b) and enter total .....               | 2d     |            | 6950957   |

**Expenses**

|                                                                                      |       |         |         |
|--------------------------------------------------------------------------------------|-------|---------|---------|
| e Benefit payment and payments to provide benefits:                                  |       |         |         |
| (1) Directly to participants or beneficiaries, including direct rollovers .....      | 2e(1) | 1479691 |         |
| (2) To insurance carriers for the provision of benefits .....                        | 2e(2) | 0       |         |
| (3) Other .....                                                                      | 2e(3) | 0       |         |
| (4) Total benefit payments. Add lines 2e(1) through (3) .....                        | 2e(4) |         | 1479691 |
| f Corrective distributions (see instructions) .....                                  | 2f    |         | 0       |
| g Certain deemed distributions of participant loans (see instructions) .....         | 2g    |         | 10561   |
| h Interest expense .....                                                             | 2h    |         | 0       |
| i Administrative expenses: (1) Professional fees .....                               | 2i(1) | 0       |         |
| (2) Contract administrator fees .....                                                | 2i(2) | 0       |         |
| (3) Investment advisory and management fees .....                                    | 2i(3) | 0       |         |
| (4) Other .....                                                                      | 2i(4) | 18956   |         |
| (5) Total administrative expenses. Add lines 2i(1) through (4) .....                 | 2i(5) |         | 18956   |
| j Total expenses. Add all <b>expense</b> amounts in column (b) and enter total ..... | 2j    |         | 1509208 |

**Net Income and Reconciliation**

|                                                          |       |  |         |
|----------------------------------------------------------|-------|--|---------|
| k Net income (loss). Subtract line 2j from line 2d ..... | 2k    |  | 5441749 |
| l Transfers of assets:                                   |       |  |         |
| (1) To this plan .....                                   | 2l(1) |  | 0       |
| (2) From this plan .....                                 | 2l(2) |  |         |

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☒ Yes ☐ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **WRIGHT, FORD & YOUNG**

(2) EIN: **95-3288054**

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

**a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) .....

**b** Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) .....

|    | Yes | No | Amount |
|----|-----|----|--------|
| 4a | X   |    | 259768 |
| 4b |     | X  |        |

|                                                                                                                                                                                                                               | Yes | No | Amount |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|--------|
| <b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) .....                                          |     | X  |        |
| <b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) .....                               |     | X  |        |
| <b>e</b> Was this plan covered by a fidelity bond? .....                                                                                                                                                                      | X   |    | 500000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? .....                                                                                       |     | X  |        |
| <b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                                    |     | X  |        |
| <b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? .....                                          |     | X  |        |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) .....                                                                | X   |    |        |
| <b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) ..... |     | X  |        |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? .....                                                           |     | X  |        |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan? .....                                                                                                                                            |     | X  |        |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) .....                                                                                                  |     | X  |        |
| <b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. ....                                      |     | X  |        |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?  
 If "Yes," enter the amount of any plan assets that reverted to the employer this year. .... ☐ Yes ☒ No Amount:

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| 5b(1) Name of plan(s) | 5b(2) EIN(s) | 5b(3) PN(s) |
|-----------------------|--------------|-------------|
|                       |              |             |
|                       |              |             |
|                       |              |             |
|                       |              |             |

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? ..... ☐ Yes ☐ No ☐ Not determined

## Part V Trust Information (optional)

|                         |                       |
|-------------------------|-----------------------|
| <b>6a</b> Name of trust | <b>6b</b> Trust's EIN |
|                         |                       |

|                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <div>SCHEDULE R<br/>(Form 5500)<br/><br/>Department of the Treasury<br/>Internal Revenue Service<br/><br/>Department of Labor<br/>Employee Benefits Security Administration<br/><br/>Pension Benefit Guaranty Corporation</div>                                                                                                                           | <div>Retirement Plan Information</div> <div>This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).</div> <div>▶ File as an attachment to Form 5500.</div> | <div>OMB No. 1210-0110</div> <div>2013</div> <div>This Form is Open to Public Inspection.</div> |
| For calendar plan year 2013 or fiscal plan year beginning 01/01/2013 and ending 12/31/2013                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| A Name of plan<br>HYDRANAUTICS 401(K) PROFIT SHARING PLAN                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                 | B Three-digit plan number (PN) ▶ 003                                                            |
| C Plan sponsor's name as shown on line 2a of Form 5500<br>HYDRANAUTICS                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                 | D Employer Identification Number (EIN)<br>95-2949422                                            |
| Part I                                                                                                                                                                                                                                                                                                                                                    | Distributions                                                                                                                                                                                                                                                                                   |                                                                                                 |
| All references to distributions relate only to payments of benefits during the plan year.                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                 | 1                                                                                               |
| 2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):<br><br>EIN(s): 04-6568107                                                                                                      |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                 | 3                                                                                               |
| Part II                                                                                                                                                                                                                                                                                                                                                   | Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)                                                                                                                           |                                                                                                 |
| 4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?..... <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A                                                                                                                                                        |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| If the plan is a defined benefit plan, go to line 8.                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____                                                                                                                                 |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                 | 6a                                                                                              |
| b Enter the amount contributed by the employer to the plan for this plan year.....                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                 | 6b                                                                                              |
| c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) .....                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                 | 6c                                                                                              |
| If you completed line 6c, skip lines 8 and 9.                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 7 Will the minimum funding amount reported on line 6c be met by the funding deadline?..... <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?..... <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| Part III                                                                                                                                                                                                                                                                                                                                                  | Amendments                                                                                                                                                                                                                                                                                      |                                                                                                 |
| 9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... <input type="checkbox"/> Increase <input type="checkbox"/> Decrease <input type="checkbox"/> Both <input type="checkbox"/> No         |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| Part IV                                                                                                                                                                                                                                                                                                                                                   | ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.                                                                                                                                                      |                                                                                                 |
| 10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 11 a Does the ESOP hold any preferred stock? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                             |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| 12 Does the ESOP hold any stock that is not readily tradable on an established securities market?..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                 |                                                                                                 |
| Schedule R (Form 5500) 2013 v. 130118                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                 |                                                                                                 |

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

|                                                                          |            |  |
|--------------------------------------------------------------------------|------------|--|
| <b>a</b> The current year .....                                          | <b>14a</b> |  |
| <b>b</b> The plan year immediately preceding the current plan year ..... | <b>14b</b> |  |
| <b>c</b> The second preceding plan year .....                            | <b>14c</b> |  |

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

|                                                                                                       |            |  |
|-------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> The corresponding number for the plan year immediately preceding the current plan year ..... | <b>15a</b> |  |
| <b>b</b> The corresponding number for the second preceding plan year .....                            | <b>15b</b> |  |

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

|                                                                                                                                                                        |            |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                               | <b>16a</b> |  |
| <b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers ..... | <b>16b</b> |  |

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

**Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans**

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment .... ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

**a** Enter the percentage of plan assets held as:  
 Stock: \_\_\_\_\_% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%

**b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate line 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

**HYDRANAUTICS 401(k) PROFIT SHARING PLAN**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

INDEX TO

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2013 AND 2012

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# Wright Ford Young & Co.

*Certified Public Accountants and Consultants, Inc.*

## INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the  
Hydranautics 401(k) Profit Sharing Plan:

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the Hydranautics 401(k) Profit Sharing Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, the related statement of changes in net assets available for benefits for the year ended December 31, 2013 and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2013 and 2012, and for the year ended December 31, 2013, that the information provided to the plan administrator by the trustee is complete and accurate.

### **Disclaimer of Opinion**

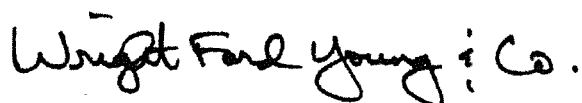
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matter**

The supplemental schedules, Schedule H, line 4i - Schedule of Assets (Held At End of Year) and Schedule H, line 4a - Schedule of Delinquent Contributions as of and for the year ended December 31, 2013, are required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on these supplemental schedules.

### **Report on Form and Content in Compliance With DOL Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



WRIGHT FORD YOUNG & CO.  
Irvine, California  
October 1, 2014

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2013 AND 2012

|                                                                                                       | <u>2013</u>                 | <u>2012</u>                 |
|-------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| ASSETS:                                                                                               |                             |                             |
| Investments, at fair value:                                                                           |                             |                             |
| Registered investment companies                                                                       | \$ 21,525,257               | \$ 16,320,768               |
| Common/collective trusts                                                                              | 3,186,259                   | 2,440,770                   |
| Interest-bearing cash                                                                                 | <u>-</u>                    | <u>659,647</u>              |
| Total investments                                                                                     | <u>24,711,516</u>           | <u>19,421,185</u>           |
| Receivables:                                                                                          |                             |                             |
| Employer contributions                                                                                | 53,747                      | -                           |
| Notes receivable from participants                                                                    | <u>1,090,511</u>            | <u>939,093</u>              |
| Total receivables                                                                                     | <u>1,144,258</u>            | <u>939,093</u>              |
| Total assets                                                                                          | 25,855,774                  | 20,360,278                  |
| LIABILITIES:                                                                                          |                             |                             |
| Excess contributions payable                                                                          | <u>-</u>                    | <u>1,862</u>                |
| NET ASSETS REFLECTING INVESTMENTS<br>AT FAIR VALUE                                                    | 25,855,774                  | 20,358,416                  |
| ADJUSTMENT FROM FAIR VALUE TO<br>CONTRACT VALUE FOR FULLY BENEFIT-<br>RESPONSIVE INVESTMENT CONTRACTS | <u>(60,648)</u>             | <u>(81,745)</u>             |
| NET ASSETS AVAILABLE FOR BENEFITS                                                                     | <u><u>\$ 25,795,126</u></u> | <u><u>\$ 20,276,671</u></u> |

See independent auditors' report and notes to the financial statements.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2013

*Additions to net assets attributed to:*

Investment income:

|                                               |                  |
|-----------------------------------------------|------------------|
| Net appreciation in fair value of investments | \$ 2,677,835     |
| Interest and dividends                        | <u>1,304,133</u> |

|                         |                  |
|-------------------------|------------------|
| Total investment income | <u>3,981,968</u> |
|-------------------------|------------------|

|                                                       |               |
|-------------------------------------------------------|---------------|
| Interest income on notes receivable from participants | <u>49,192</u> |
|-------------------------------------------------------|---------------|

Contributions:

|             |               |
|-------------|---------------|
| Participant | 1,952,784     |
| Employer    | 997,999       |
| Rollover    | <u>45,720</u> |

|                     |                  |
|---------------------|------------------|
| Total contributions | <u>2,996,503</u> |
|---------------------|------------------|

|                 |                  |
|-----------------|------------------|
| Total additions | <u>7,027,663</u> |
|-----------------|------------------|

*Deductions from net assets attributed to:*

|                               |               |
|-------------------------------|---------------|
| Benefits paid to participants | 1,490,252     |
| Administrative expenses       | <u>18,956</u> |

|                  |                  |
|------------------|------------------|
| Total deductions | <u>1,509,208</u> |
|------------------|------------------|

|              |           |
|--------------|-----------|
| NET INCREASE | 5,518,455 |
|--------------|-----------|

|                                                         |                   |
|---------------------------------------------------------|-------------------|
| NET ASSETS AVAILABLE FOR BENEFITS,<br>beginning of year | <u>20,276,671</u> |
|---------------------------------------------------------|-------------------|

|                                                   |                             |
|---------------------------------------------------|-----------------------------|
| NET ASSETS AVAILABLE FOR BENEFITS,<br>end of year | <u><u>\$ 25,795,126</u></u> |
|---------------------------------------------------|-----------------------------|

See independent auditors' report and notes to the financial statements.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 1. DESCRIPTION OF PLAN

The following description of the Hydranautics 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

##### General

The Plan is a defined contribution plan covering substantially all employees of Hydranautics and employees of the Company's affiliates, Nitto Denko Technical Corporation and Nitto Innovations Incorporated (collectively referred to as the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees who have attained at least 18 years of age are automatically enrolled in the Plan (with a 5% salary deferral) on the first day of the month following completion of 3 months of service, unless the employee has elected a different percentage or to opt-out.

##### Administration

The Plan is administered by the Company.

##### Contributions

Participants may elect to contribute an amount up to 90% of eligible pre-tax and post-tax compensation, not to exceed the limits of the Internal Revenue Code (the IRC). Participants direct the investment of their contributions into various investment options offered by the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

During 2013, the Company made a safe harbor contribution equal to 100% of the participant's deferral, up to the first 3% of compensation and 50% of the participant's deferral, up to the next 2% of compensation. The Company may also make discretionary profit sharing contributions. For the year ended December 31, 2013, the Company made no discretionary profit sharing contributions.

##### Participant Accounts

Each participant's account is credited with the participant's contributions, safe harbor contributions and allocations of (a) the Company's profit sharing contributions, if any, (b) participant account earnings, and charged with an allocation of administrative expenses, if applicable. Allocations are based on participant's eligible compensation, participant contributions, investment elections and/or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 1. DESCRIPTION OF PLAN - (Continued)

##### Payment of Benefits

On termination of service due to death, disability, retirement or other reasons, a participant may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account or installments. Participants may also elect to rollover their account to another tax deferred account or remain in the Plan until they are legally required to begin taking distributions. All vested account balances not exceeding \$1,000 may be immediately distributed in a lump-sum payment. All vested account balances exceeding \$1,000, but not exceeding \$5,000, may be rolled into an Individual Retirement Account. With the plan administrator's approval, participants may withdraw all or part of their aggregate contributions in the event of financial hardship.

##### Vesting

Participants are immediately vested in their contributions and the Company's safe harbor contributions, plus actual earnings thereon.

##### Forfeitures

The unvested portion of a terminated participant's account will be forfeited and used to reduce future Company contributions or to pay Plan expenses. For the year ended December 31, 2013, the plan used \$6,750 from forfeited nonvested accounts to pay plan administrative expenses. As of December 31, 2013 and 2012, the amount of available forfeitures totaled \$4,882 and \$2,318, respectively.

##### Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000, up to a maximum amount equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from 1 to 5 years or within a reasonable period of time that is longer than 5 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and generally bear interest at a rate commensurate with the rates that a bank or other professional lender would charge for making a loan in a similar circumstance. Principal and interest is paid ratably through payroll deductions. Under the provisions of the Plan, participants are only allowed one outstanding loan balance at any given time.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Basis of Accounting - (Continued)

As described in guidance issued by the Financial Accounting Standards Board (the FASB) for reporting of fully benefit-responsive investment contracts held by certain investment companies, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the guidance, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

##### Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

##### Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus accrued interest. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2013 or 2012. Delinquent participant loans are reclassified as distributions based upon the terms of the plan agreement.

##### Payment of Benefits

Benefits are recorded when paid.

##### Plan Fees and Administrative Expenses

Plan fees and administrative expenses are generally paid by the Plan, unless paid by the Company.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Subsequent Events

The Company has evaluated subsequent events through the date of the independent auditors' report, which is the date the accompanying financial statements were available to be issued.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

#### 3. FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

3. FAIR VALUE MEASUREMENTS - (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

*Registered investment companies:* These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

*Common collective trusts – stable value fund:* Valued at the NAV of units held by the Plan at year end. The NAV is based upon the market value of its underlying investments. These underlying investments include wrap contracts, debt securities and open-end investment companies. The fair value of investments in wrap contracts is determined using a discounted cash flow model that considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying securities and is classified as level 3 in the hierarchy. The fair value of investments in debt securities is based on evaluated prices received from third party pricing vendors or from brokers who make markets in such securities and are classified as level 2 in the hierarchy. The fair value of investments in open-end investments are valued at their closing NAV each business day and are classified as level 1 for registered investment companies and level 2 for nonregistered investment companies. As the underlying investments are classified at varying levels in the hierarchy, this investment is classified at the lowest level in the hierarchy.

*Interest-bearing cash:* Interest bearing cash consist of money market investments. The carrying value is believed to be representative of its fair value based on its short term nature and are classified within level 1 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

3. FAIR VALUE MEASUREMENTS - (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012:

| Description                           | Total                | Level 1              | Level 2     | Level 3             |
|---------------------------------------|----------------------|----------------------|-------------|---------------------|
| <u>December 31, 2013</u>              |                      |                      |             |                     |
| Registered investment companies:      |                      |                      |             |                     |
| Mid to Large Cap Stock Funds          | \$ 18,066,625        | \$ 18,066,625        | \$ -        | \$ -                |
| Fixed Income Funds                    | 829,882              | 829,882              | -           | -                   |
| International Funds                   | 2,007,518            | 2,007,518            | -           | -                   |
| Small Cap Stock Funds                 | 621,232              | 621,232              | -           | -                   |
| Total registered investment companies | 21,525,257           | 21,525,257           | -           | -                   |
| Common/collective trusts              | 3,186,259            | -                    | -           | 3,186,259           |
| Total investments at fair value       | <u>\$ 24,711,516</u> | <u>\$ 21,525,257</u> | <u>\$ -</u> | <u>\$ 3,186,259</u> |
| Description                           | Total                | Level 1              | Level 2     | Level 3             |
| <u>December 31, 2012</u>              |                      |                      |             |                     |
| Registered investment companies:      |                      |                      |             |                     |
| Mid to Large Cap Stock Funds          | \$ 13,200,299        | \$ 13,200,299        | \$ -        | \$ -                |
| Fixed Income Funds                    | 1,175,683            | 1,175,683            | -           | -                   |
| International Funds                   | 1,589,381            | 1,589,381            | -           | -                   |
| Small Cap Stock Funds                 | 355,405              | 355,405              | -           | -                   |
| Total registered investment companies | 16,320,768           | 16,320,768           | -           | -                   |
| Common/collective trusts              | 2,440,770            | -                    | -           | 2,440,770           |
| Interest-bearing cash                 | 659,647              | 659,647              | -           | -                   |
| Total investments at fair value       | <u>\$ 19,421,185</u> | <u>\$ 16,980,415</u> | <u>\$ -</u> | <u>\$ 2,440,770</u> |

In regards to the classification of investment options offered by the Plan, there were no reclassifications between Levels 1, 2 and 3 during the year ended December 31, 2013.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 3. FAIR VALUE MEASUREMENTS - (Continued)

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2013.

|                            | <u>Common/collective<br/>Trusts</u> |
|----------------------------|-------------------------------------|
| Balance, beginning of year | \$ 2,440,770                        |
| Purchases                  | 1,550,505                           |
| Sales                      | (799,920)                           |
| Change in fair value       | (21,097)                            |
| Interest Income            | 25,201                              |
| Administrative fees        | <u>(9,200)</u>                      |
| Balance, end of year       | <u>\$ 3,186,259</u>                 |

The following table represents the Plan's level 3 investment, the valuation techniques used to measure the fair value of the investment, and the significant unobservable inputs and the ranges of values for those inputs.

| <i>Instrument</i>    | <i>Fair Value</i> | <i>Principal<br/>Valuation<br/>Method</i> | <i>Unobservable<br/>Inputs</i> | <i>Range of<br/>Significant<br/>Unobservable<br/>Inputs</i> | <i>Weighted<br/>Average</i> |
|----------------------|-------------------|-------------------------------------------|--------------------------------|-------------------------------------------------------------|-----------------------------|
| Stable Value<br>Fund | \$3,186,259       | Discounted<br>Cash Flow                   | Various<br>Assumptions         | (A)                                                         | (A)                         |

(A) Fair value is determined using a discounted cash flow model that considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying securities.

#### 4. INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Plan holds assets in a common/collective trust with Fidelity that invests in a benefit-responsive investment contract. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

4. INVESTMENT CONTRACT WITH INSURANCE COMPANY - (Continued)

As described in Note 2, because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by Fidelity, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than 0%. Such interest rates are reviewed on a quarterly basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Company or other Company events that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from Federal income taxes or any required prohibited transaction exemption under ERISA. The plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contract does not permit the issuer to terminate the agreement prior to the scheduled maturity date.

|                                                 |             |             |
|-------------------------------------------------|-------------|-------------|
| <i>Average yields:</i>                          | <u>2013</u> | <u>2012</u> |
| Based on actual earnings                        | 1.70%       | 1.69%       |
| Based on interest rate credited to participants | 0.92%       | 1.11%       |

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 5. INFORMATION CERTIFIED BY THE PLAN'S TRUSTEE

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Fidelity Management Trust Company (Fidelity), the trustee of the Plan, has certified to the completeness and accuracy of the following information which is included in the financial statements and supplemental schedule of assets (held at end of year) as of December 31, 2013 and 2012, and for the year ended December 31, 2013.

|                                                       | <u>2013</u>   | <u>2012</u>   |
|-------------------------------------------------------|---------------|---------------|
| Registered investment companies                       | \$ 21,525,257 | \$ 16,320,768 |
| Common / collective trusts                            | 3,125,611     | 2,359,025     |
| Interest-bearing cash                                 | -             | 659,647       |
| Notes receivable from participants                    | 1,090,511     | 939,093       |
| Net appreciation in fair value of investments         | 2,677,835     | *             |
| Interest and dividends                                | 1,304,133     | *             |
| Interest income on notes receivable from participants | 49,192        | *             |

\* Information is not required.

#### 6. INVESTMENTS

The following table presents investments that represent 5% or more of the Plan's net assets at December 31, 2013 and 2012:

|                                      | <u>2013</u>  |
|--------------------------------------|--------------|
| Stable Value Fund                    | \$ 3,125,611 |
| New Insights Fund                    | 1,866,046    |
| Freedom 2020 Fund                    | 1,440,655    |
| Freedom 2025 Fund                    | 1,576,255    |
| Freedom 2030 Fund                    | 1,986,600    |
| Freedom 2035 Fund                    | 1,452,193    |
| JPMorgan Market Expansion Index Fund | 2,234,093    |

|                   | <u>2012</u>  |
|-------------------|--------------|
| Stable Value Fund | \$ 2,440,770 |
| New Insights Fund | 1,493,402    |
| Freedom 2020 Fund | 1,271,655    |
| Freedom 2025 Fund | 1,090,917    |
| Freedom 2030 Fund | 1,417,848    |
| Freedom 2035 Fund | 1,088,390    |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

6. INVESTMENTS – (Continued)

For the year ended December 31, 2013, the Plan's investments in registered investment companies (including investments bought, sold and held during the year) appreciated in value by \$2,677,835.

7. PARTY-IN-INTEREST TRANSACTIONS

The Plan allows for transactions with certain parties who may perform services or have fiduciary responsibilities to the Plan. Certain Plan investments are managed by Fidelity, the trustee and record-keeper of the Plan. The Plan paid \$12,206 in contract administration fees to Fidelity and \$6,750 in audit fees during 2013. The Plan issues loans to participants, which are secured by the balances in the participants' accounts. The Company paid certain administrative expenses of the Plan, including recordkeeping fees. These transactions qualify as party-in-interest transactions for which a statutory exemption exists.

8. TAX STATUS

The Company adopted a Volume Submitter Profit Sharing Plan which received a favorable opinion letter from the Internal Revenue Service (IRS) on March 31, 2008, which stated that the Plan, as then designed, was in accordance with applicable sections of the IRC. The Plan has since been amended. The plan administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

9. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right to terminate or amend the Plan at any time, subject to the provisions of ERISA.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

10. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at December 31, 2013 and 2012:

|                                                                                               | <u>2013</u>          | <u>2012</u>          |
|-----------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total net assets available for benefits per the financial statements                          | \$ 25,795,126        | \$ 20,276,671        |
| Less employer contribution receivable per the financial statement                             | (53,747)             | -                    |
| Add accrual of corrective distribution per the financial statement                            | -                    | 1,862                |
| Add fair value to contract value adjustment for fully benefit-responsive investment contracts | <u>60,648</u>        | <u>81,745</u>        |
| Total net assets available for benefits per Form 5500                                         | <u>\$ 25,802,027</u> | <u>\$ 20,360,278</u> |

The following is a reconciliation of the net appreciation in fair value of investments per the financial statements to the Form 5500 for the year ended December 31, 2013:

|                                                                                                     |                     |
|-----------------------------------------------------------------------------------------------------|---------------------|
| Net appreciation in fair value of investments per the financial statements                          | \$ 2,677,835        |
| 2012 adjustment from fair value to contract value for fully benefit-responsive investment contracts | (81,745)            |
| 2013 adjustment from fair value to contract value for fully benefit-responsive investment contracts | <u>60,648</u>       |
| Net appreciation in fair value of investments per Form 5500                                         | <u>\$ 2,656,738</u> |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 – (Continued)

The following is a reconciliation of total contributions per the financial statements to the Form 5500 for the year ended December 31, 2013:

|                                                  |                     |
|--------------------------------------------------|---------------------|
| Total contributions per the financial statements | \$ 2,996,503        |
| Less 2012 corrective distributions               | (1,862)             |
| Less 2013 employer contribution receivable       | <u>(53,747)</u>     |
| Total contributions per Form 5500                | <u>\$ 2,940,894</u> |

12. SUBSEQUENT EVENTS

On or about December 31, 2014, the Plan is expected to merge with other related entities plans within a controlled group.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

PLAN FEIN#: 95-2949422

PLAN # 003

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2013

| (a) | (b)                                                  | (c)                                                                                                     | (d)  | (e)                  |
|-----|------------------------------------------------------|---------------------------------------------------------------------------------------------------------|------|----------------------|
|     | Identity of issue, borrower, lessor or similar party | Description of investment including maturity date, rate of interest, collateral, par, or maturity value | Cost | Current Value        |
| *   | Fidelity Management Trust Company                    | Calvert Short Duration Income Fund                                                                      | **   | \$ 127,297           |
| *   | Fidelity Management Trust Company                    | Freedom 2005 Fund                                                                                       | **   | 82,724               |
| *   | Fidelity Management Trust Company                    | Freedom 2010 Fund                                                                                       | **   | 413,768              |
| *   | Fidelity Management Trust Company                    | Freedom 2015 Fund                                                                                       | **   | 817,377              |
| *   | Fidelity Management Trust Company                    | Freedom 2020 Fund                                                                                       | **   | 1,440,655            |
| *   | Fidelity Management Trust Company                    | Freedom 2025 Fund                                                                                       | **   | 1,576,255            |
| *   | Fidelity Management Trust Company                    | Freedom 2030 Fund                                                                                       | **   | 1,986,600            |
| *   | Fidelity Management Trust Company                    | Freedom 2035 Fund                                                                                       | **   | 1,452,193            |
| *   | Fidelity Management Trust Company                    | Freedom 2040 Fund                                                                                       | **   | 745,704              |
| *   | Fidelity Management Trust Company                    | Freedom 2045 Fund                                                                                       | **   | 454,711              |
| *   | Fidelity Management Trust Company                    | Freedom 2050 Fund                                                                                       | **   | 804,392              |
| *   | Fidelity Management Trust Company                    | Freedom 2055 Fund                                                                                       | **   | 97,328               |
| *   | Fidelity Management Trust Company                    | High Income Advantage Fund                                                                              | **   | 317,420              |
| *   | Fidelity Management Trust Company                    | International Growth Fund                                                                               | **   | 465,745              |
| *   | Fidelity Management Trust Company                    | Invesco Developing Market Fund                                                                          | **   | 163,294              |
| *   | Fidelity Management Trust Company                    | Invesco Equity Income Fund                                                                              | **   | 277,379              |
| *   | Fidelity Management Trust Company                    | JPMorgan Equity Index Fund                                                                              | **   | 851,511              |
| *   | Fidelity Management Trust Company                    | JPMorgan International Equity Index Fund                                                                | **   | 171,423              |
| *   | Fidelity Management Trust Company                    | JPMorgan Market Expansion Index Fund                                                                    | **   | 2,234,093            |
| *   | Fidelity Management Trust Company                    | New Insights Fund                                                                                       | **   | 1,866,046            |
| *   | Fidelity Management Trust Company                    | Oppenheimer Global Fund                                                                                 | **   | 1,207,057            |
| *   | Fidelity Management Trust Company                    | Principal Small Cap S&P 600 Index Fund                                                                  | **   | 621,232              |
| *   | Fidelity Management Trust Company                    | Putnam Equity Income Fund                                                                               | **   | 965,378              |
| *   | Fidelity Management Trust Company                    | RS Partners Fund                                                                                        | **   | 1,240,171            |
| *   | Fidelity Management Trust Company                    | Stable Value Fund                                                                                       | **   | 3,125,611            |
| *   | Fidelity Management Trust Company                    | Strategic Income Fund                                                                                   | **   | 369,170              |
| *   | Fidelity Management Trust Company                    | T. Rowe Price Blue Chip Growth Fund                                                                     | **   | 760,341              |
| *   | Fidelity Management Trust Company                    | T. Rowe Price Retirement Income Fund                                                                    | **   | 15,993               |
| *   | Participant Loans                                    | Interest rates ranging from 4.00% to 8.00%                                                              | -    | 1,090,511            |
|     |                                                      |                                                                                                         |      | <u>\$ 25,741,379</u> |

\* A party-in-interest as defined by ERISA.

\*\* Disclosure of this information is not required by the Department of Labor's Rules and Regulations for Reporting and disclosure under ERISA when the account is participant directed.

See independent auditors' report and notes to the financial statements.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

PLAN FEIN#: 95-2949422

PLAN # 003

SCHEDULE H, LINE 4a - SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013

| Participant Contributions<br>Transferred Late to Plan<br>Check here if Late Participant<br>Loan Repayments are included:<br><input checked="" type="checkbox"/> | Total that Constitute Nonexempt Prohibited Transactions |                                            |                                             | Total Fully Corrected<br>Under Voluntary<br>Fiduciary Correction<br>Program and<br>Prohibited<br>Transaction |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                 | Contributions Not<br>Corrected                          | Contributions<br>Corrected Outside<br>VFCP | Contributions Pending<br>Correction in VFCP |                                                                                                              |
| Year ended December 31, 2013<br>\$259,768                                                                                                                       |                                                         |                                            |                                             |                                                                                                              |
|                                                                                                                                                                 | \$259,768 *                                             |                                            |                                             |                                                                                                              |

\* Lost earnings were remitted to the Plan in 2014.

**HYDRANAUTICS 401(k) PROFIT SHARING PLAN**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

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FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2013 AND 2012

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# Wright Ford Young & Co.

*Certified Public Accountants and Consultants, Inc.*

## INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the  
Hydranautics 401(k) Profit Sharing Plan:

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the Hydranautics 401(k) Profit Sharing Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, the related statement of changes in net assets available for benefits for the year ended December 31, 2013 and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2013 and 2012, and for the year ended December 31, 2013, that the information provided to the plan administrator by the trustee is complete and accurate.

### **Disclaimer of Opinion**

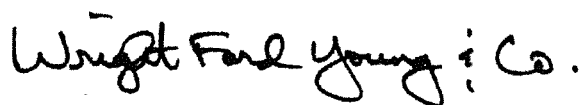
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matter**

The supplemental schedules, Schedule H, line 4i - Schedule of Assets (Held At End of Year) and Schedule H, line 4a - Schedule of Delinquent Contributions as of and for the year ended December 31, 2013, are required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on these supplemental schedules.

### **Report on Form and Content in Compliance With DOL Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



WRIGHT FORD YOUNG & CO.  
Irvine, California  
October 1, 2014

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2013 AND 2012

|                                                                                                       | <u>2013</u>                 | <u>2012</u>                 |
|-------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| ASSETS:                                                                                               |                             |                             |
| Investments, at fair value:                                                                           |                             |                             |
| Registered investment companies                                                                       | \$ 21,525,257               | \$ 16,320,768               |
| Common/collective trusts                                                                              | 3,186,259                   | 2,440,770                   |
| Interest-bearing cash                                                                                 | <u>-</u>                    | <u>659,647</u>              |
| Total investments                                                                                     | <u>24,711,516</u>           | <u>19,421,185</u>           |
| Receivables:                                                                                          |                             |                             |
| Employer contributions                                                                                | 53,747                      | -                           |
| Notes receivable from participants                                                                    | <u>1,090,511</u>            | <u>939,093</u>              |
| Total receivables                                                                                     | <u>1,144,258</u>            | <u>939,093</u>              |
| Total assets                                                                                          | 25,855,774                  | 20,360,278                  |
| LIABILITIES:                                                                                          |                             |                             |
| Excess contributions payable                                                                          | <u>-</u>                    | <u>1,862</u>                |
| NET ASSETS REFLECTING INVESTMENTS<br>AT FAIR VALUE                                                    | 25,855,774                  | 20,358,416                  |
| ADJUSTMENT FROM FAIR VALUE TO<br>CONTRACT VALUE FOR FULLY BENEFIT-<br>RESPONSIVE INVESTMENT CONTRACTS | <u>(60,648)</u>             | <u>(81,745)</u>             |
| NET ASSETS AVAILABLE FOR BENEFITS                                                                     | <u><u>\$ 25,795,126</u></u> | <u><u>\$ 20,276,671</u></u> |

See independent auditors' report and notes to the financial statements.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2013

*Additions to net assets attributed to:*

Investment income:

|                                               |                  |
|-----------------------------------------------|------------------|
| Net appreciation in fair value of investments | \$ 2,677,835     |
| Interest and dividends                        | <u>1,304,133</u> |

|                         |                  |
|-------------------------|------------------|
| Total investment income | <u>3,981,968</u> |
|-------------------------|------------------|

|                                                       |               |
|-------------------------------------------------------|---------------|
| Interest income on notes receivable from participants | <u>49,192</u> |
|-------------------------------------------------------|---------------|

Contributions:

|             |               |
|-------------|---------------|
| Participant | 1,952,784     |
| Employer    | 997,999       |
| Rollover    | <u>45,720</u> |

|                     |                  |
|---------------------|------------------|
| Total contributions | <u>2,996,503</u> |
|---------------------|------------------|

|                 |                  |
|-----------------|------------------|
| Total additions | <u>7,027,663</u> |
|-----------------|------------------|

*Deductions from net assets attributed to:*

|                               |               |
|-------------------------------|---------------|
| Benefits paid to participants | 1,490,252     |
| Administrative expenses       | <u>18,956</u> |

|                  |                  |
|------------------|------------------|
| Total deductions | <u>1,509,208</u> |
|------------------|------------------|

|              |           |
|--------------|-----------|
| NET INCREASE | 5,518,455 |
|--------------|-----------|

|                                                         |                   |
|---------------------------------------------------------|-------------------|
| NET ASSETS AVAILABLE FOR BENEFITS,<br>beginning of year | <u>20,276,671</u> |
|---------------------------------------------------------|-------------------|

|                                                   |                             |
|---------------------------------------------------|-----------------------------|
| NET ASSETS AVAILABLE FOR BENEFITS,<br>end of year | <u><u>\$ 25,795,126</u></u> |
|---------------------------------------------------|-----------------------------|

See independent auditors' report and notes to the financial statements.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 1. DESCRIPTION OF PLAN

The following description of the Hydranautics 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

##### General

The Plan is a defined contribution plan covering substantially all employees of Hydranautics and employees of the Company's affiliates, Nitto Denko Technical Corporation and Nitto Innovations Incorporated (collectively referred to as the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees who have attained at least 18 years of age are automatically enrolled in the Plan (with a 5% salary deferral) on the first day of the month following completion of 3 months of service, unless the employee has elected a different percentage or to opt-out.

##### Administration

The Plan is administered by the Company.

##### Contributions

Participants may elect to contribute an amount up to 90% of eligible pre-tax and post-tax compensation, not to exceed the limits of the Internal Revenue Code (the IRC). Participants direct the investment of their contributions into various investment options offered by the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

During 2013, the Company made a safe harbor contribution equal to 100% of the participant's deferral, up to the first 3% of compensation and 50% of the participant's deferral, up to the next 2% of compensation. The Company may also make discretionary profit sharing contributions. For the year ended December 31, 2013, the Company made no discretionary profit sharing contributions.

##### Participant Accounts

Each participant's account is credited with the participant's contributions, safe harbor contributions and allocations of (a) the Company's profit sharing contributions, if any, (b) participant account earnings, and charged with an allocation of administrative expenses, if applicable. Allocations are based on participant's eligible compensation, participant contributions, investment elections and/or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 1. DESCRIPTION OF PLAN - (Continued)

##### Payment of Benefits

On termination of service due to death, disability, retirement or other reasons, a participant may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account or installments. Participants may also elect to rollover their account to another tax deferred account or remain in the Plan until they are legally required to begin taking distributions. All vested account balances not exceeding \$1,000 may be immediately distributed in a lump-sum payment. All vested account balances exceeding \$1,000, but not exceeding \$5,000, may be rolled into an Individual Retirement Account. With the plan administrator's approval, participants may withdraw all or part of their aggregate contributions in the event of financial hardship.

##### Vesting

Participants are immediately vested in their contributions and the Company's safe harbor contributions, plus actual earnings thereon.

##### Forfeitures

The unvested portion of a terminated participant's account will be forfeited and used to reduce future Company contributions or to pay Plan expenses. For the year ended December 31, 2013, the plan used \$6,750 from forfeited nonvested accounts to pay plan administrative expenses. As of December 31, 2013 and 2012, the amount of available forfeitures totaled \$4,882 and \$2,318, respectively.

##### Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000, up to a maximum amount equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from 1 to 5 years or within a reasonable period of time that is longer than 5 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and generally bear interest at a rate commensurate with the rates that a bank or other professional lender would charge for making a loan in a similar circumstance. Principal and interest is paid ratably through payroll deductions. Under the provisions of the Plan, participants are only allowed one outstanding loan balance at any given time.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Basis of Accounting - (Continued)

As described in guidance issued by the Financial Accounting Standards Board (the FASB) for reporting of fully benefit-responsive investment contracts held by certain investment companies, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the guidance, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

##### Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

##### Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus accrued interest. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2013 or 2012. Delinquent participant loans are reclassified as distributions based upon the terms of the plan agreement.

##### Payment of Benefits

Benefits are recorded when paid.

##### Plan Fees and Administrative Expenses

Plan fees and administrative expenses are generally paid by the Plan, unless paid by the Company.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Subsequent Events

The Company has evaluated subsequent events through the date of the independent auditors' report, which is the date the accompanying financial statements were available to be issued.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

#### 3. FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

3. FAIR VALUE MEASUREMENTS - (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

*Registered investment companies:* These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

*Common collective trusts – stable value fund:* Valued at the NAV of units held by the Plan at year end. The NAV is based upon the market value of its underlying investments. These underlying investments include wrap contracts, debt securities and open-end investment companies. The fair value of investments in wrap contracts is determined using a discounted cash flow model that considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying securities and is classified as level 3 in the hierarchy. The fair value of investments in debt securities is based on evaluated prices received from third party pricing vendors or from brokers who make markets in such securities and are classified as level 2 in the hierarchy. The fair value of investments in open-end investments are valued at their closing NAV each business day and are classified as level 1 for registered investment companies and level 2 for nonregistered investment companies. As the underlying investments are classified at varying levels in the hierarchy, this investment is classified at the lowest level in the hierarchy.

*Interest-bearing cash:* Interest bearing cash consist of money market investments. The carrying value is believed to be representative of its fair value based on its short term nature and are classified within level 1 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# HYDRANAUTICS 401(k) PROFIT SHARING PLAN

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

### 3. FAIR VALUE MEASUREMENTS - (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012:

| Description                           | Total                | Level 1              | Level 2     | Level 3             |
|---------------------------------------|----------------------|----------------------|-------------|---------------------|
| <u>December 31, 2013</u>              |                      |                      |             |                     |
| Registered investment companies:      |                      |                      |             |                     |
| Mid to Large Cap Stock Funds          | \$ 18,066,625        | \$ 18,066,625        | \$ -        | \$ -                |
| Fixed Income Funds                    | 829,882              | 829,882              | -           | -                   |
| International Funds                   | 2,007,518            | 2,007,518            | -           | -                   |
| Small Cap Stock Funds                 | 621,232              | 621,232              | -           | -                   |
| Total registered investment companies | 21,525,257           | 21,525,257           | -           | -                   |
| Common/collective trusts              | 3,186,259            | -                    | -           | 3,186,259           |
| Total investments at fair value       | <u>\$ 24,711,516</u> | <u>\$ 21,525,257</u> | <u>\$ -</u> | <u>\$ 3,186,259</u> |
| Description                           | Total                | Level 1              | Level 2     | Level 3             |
| <u>December 31, 2012</u>              |                      |                      |             |                     |
| Registered investment companies:      |                      |                      |             |                     |
| Mid to Large Cap Stock Funds          | \$ 13,200,299        | \$ 13,200,299        | \$ -        | \$ -                |
| Fixed Income Funds                    | 1,175,683            | 1,175,683            | -           | -                   |
| International Funds                   | 1,589,381            | 1,589,381            | -           | -                   |
| Small Cap Stock Funds                 | 355,405              | 355,405              | -           | -                   |
| Total registered investment companies | 16,320,768           | 16,320,768           | -           | -                   |
| Common/collective trusts              | 2,440,770            | -                    | -           | 2,440,770           |
| Interest-bearing cash                 | 659,647              | 659,647              | -           | -                   |
| Total investments at fair value       | <u>\$ 19,421,185</u> | <u>\$ 16,980,415</u> | <u>\$ -</u> | <u>\$ 2,440,770</u> |

In regards to the classification of investment options offered by the Plan, there were no reclassifications between Levels 1, 2 and 3 during the year ended December 31, 2013.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

3. FAIR VALUE MEASUREMENTS - (Continued)

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2013.

|                            | <u>Common/collective<br/>Trusts</u> |
|----------------------------|-------------------------------------|
| Balance, beginning of year | \$ 2,440,770                        |
| Purchases                  | 1,550,505                           |
| Sales                      | (799,920)                           |
| Change in fair value       | (21,097)                            |
| Interest Income            | 25,201                              |
| Administrative fees        | <u>(9,200)</u>                      |
| Balance, end of year       | <u>\$ 3,186,259</u>                 |

The following table represents the Plan's level 3 investment, the valuation techniques used to measure the fair value of the investment, and the significant unobservable inputs and the ranges of values for those inputs.

| <i>Instrument</i>    | <i>Fair Value</i> | <i>Principal<br/>Valuation<br/>Method</i> | <i>Unobservable<br/>Inputs</i> | <i>Range of<br/>Significant<br/>Unobservable<br/>Inputs</i> | <i>Weighted<br/>Average</i> |
|----------------------|-------------------|-------------------------------------------|--------------------------------|-------------------------------------------------------------|-----------------------------|
| Stable Value<br>Fund | \$3,186,259       | Discounted<br>Cash Flow                   | Various<br>Assumptions         | (A)                                                         | (A)                         |

(A) Fair value is determined using a discounted cash flow model that considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying securities.

4. INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Plan holds assets in a common/collective trust with Fidelity that invests in a benefit-responsive investment contract. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

4. INVESTMENT CONTRACT WITH INSURANCE COMPANY - (Continued)

As described in Note 2, because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by Fidelity, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than 0%. Such interest rates are reviewed on a quarterly basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Company or other Company events that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from Federal income taxes or any required prohibited transaction exemption under ERISA. The plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contract does not permit the issuer to terminate the agreement prior to the scheduled maturity date.

|                                                 |             |             |
|-------------------------------------------------|-------------|-------------|
| <i>Average yields:</i>                          | <u>2013</u> | <u>2012</u> |
| Based on actual earnings                        | 1.70%       | 1.69%       |
| Based on interest rate credited to participants | 0.92%       | 1.11%       |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

5. INFORMATION CERTIFIED BY THE PLAN'S TRUSTEE

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Fidelity Management Trust Company (Fidelity), the trustee of the Plan, has certified to the completeness and accuracy of the following information which is included in the financial statements and supplemental schedule of assets (held at end of year) as of December 31, 2013 and 2012, and for the year ended December 31, 2013.

|                                                       | <u>2013</u>   | <u>2012</u>   |
|-------------------------------------------------------|---------------|---------------|
| Registered investment companies                       | \$ 21,525,257 | \$ 16,320,768 |
| Common / collective trusts                            | 3,125,611     | 2,359,025     |
| Interest-bearing cash                                 | -             | 659,647       |
| Notes receivable from participants                    | 1,090,511     | 939,093       |
| Net appreciation in fair value of investments         | 2,677,835     | *             |
| Interest and dividends                                | 1,304,133     | *             |
| Interest income on notes receivable from participants | 49,192        | *             |

\* Information is not required.

6. INVESTMENTS

The following table presents investments that represent 5% or more of the Plan's net assets at December 31, 2013 and 2012:

|                                      | <u>2013</u>  |
|--------------------------------------|--------------|
| Stable Value Fund                    | \$ 3,125,611 |
| New Insights Fund                    | 1,866,046    |
| Freedom 2020 Fund                    | 1,440,655    |
| Freedom 2025 Fund                    | 1,576,255    |
| Freedom 2030 Fund                    | 1,986,600    |
| Freedom 2035 Fund                    | 1,452,193    |
| JPMorgan Market Expansion Index Fund | 2,234,093    |
|                                      | <u>2012</u>  |
| Stable Value Fund                    | \$ 2,440,770 |
| New Insights Fund                    | 1,493,402    |
| Freedom 2020 Fund                    | 1,271,655    |
| Freedom 2025 Fund                    | 1,090,917    |
| Freedom 2030 Fund                    | 1,417,848    |
| Freedom 2035 Fund                    | 1,088,390    |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

6. INVESTMENTS – (Continued)

For the year ended December 31, 2013, the Plan's investments in registered investment companies (including investments bought, sold and held during the year) appreciated in value by \$2,677,835.

7. PARTY-IN-INTEREST TRANSACTIONS

The Plan allows for transactions with certain parties who may perform services or have fiduciary responsibilities to the Plan. Certain Plan investments are managed by Fidelity, the trustee and record-keeper of the Plan. The Plan paid \$12,206 in contract administration fees to Fidelity and \$6,750 in audit fees during 2013. The Plan issues loans to participants, which are secured by the balances in the participants' accounts. The Company paid certain administrative expenses of the Plan, including recordkeeping fees. These transactions qualify as party-in-interest transactions for which a statutory exemption exists.

8. TAX STATUS

The Company adopted a Volume Submitter Profit Sharing Plan which received a favorable opinion letter from the Internal Revenue Service (IRS) on March 31, 2008, which stated that the Plan, as then designed, was in accordance with applicable sections of the IRC. The Plan has since been amended. The plan administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

9. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right to terminate or amend the Plan at any time, subject to the provisions of ERISA.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

10. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at December 31, 2013 and 2012:

|                                                                                               | <u>2013</u>          | <u>2012</u>          |
|-----------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total net assets available for benefits per the financial statements                          | \$ 25,795,126        | \$ 20,276,671        |
| Less employer contribution receivable per the financial statement                             | (53,747)             | -                    |
| Add accrual of corrective distribution per the financial statement                            | -                    | 1,862                |
| Add fair value to contract value adjustment for fully benefit-responsive investment contracts | <u>60,648</u>        | <u>81,745</u>        |
| Total net assets available for benefits per Form 5500                                         | <u>\$ 25,802,027</u> | <u>\$ 20,360,278</u> |

The following is a reconciliation of the net appreciation in fair value of investments per the financial statements to the Form 5500 for the year ended December 31, 2013:

|                                                                                                     |                     |
|-----------------------------------------------------------------------------------------------------|---------------------|
| Net appreciation in fair value of investments per the financial statements                          | \$ 2,677,835        |
| 2012 adjustment from fair value to contract value for fully benefit-responsive investment contracts | (81,745)            |
| 2013 adjustment from fair value to contract value for fully benefit-responsive investment contracts | <u>60,648</u>       |
| Net appreciation in fair value of investments per Form 5500                                         | <u>\$ 2,656,738</u> |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 – (Continued)

The following is a reconciliation of total contributions per the financial statements to the Form 5500 for the year ended December 31, 2013:

|                                                  |                     |
|--------------------------------------------------|---------------------|
| Total contributions per the financial statements | \$ 2,996,503        |
| Less 2012 corrective distributions               | (1,862)             |
| Less 2013 employer contribution receivable       | <u>(53,747)</u>     |
| Total contributions per Form 5500                | <u>\$ 2,940,894</u> |

12. SUBSEQUENT EVENTS

On or about December 31, 2014, the Plan is expected to merge with other related entities plans within a controlled group.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

PLAN FEIN#: 95-2949422

PLAN # 003

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2013

| (a) | (b)                                                     | (c)                                                                                                           | (d)  | (e)                  |
|-----|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|------|----------------------|
|     | Identity of issue, borrower, lessor or<br>similar party | Description of investment including maturity<br>date, rate of interest, collateral, par, or maturity<br>value | Cost | Current Value        |
| *   | Fidelity Management Trust Company                       | Calvert Short Duration Income Fund                                                                            | **   | \$ 127,297           |
| *   | Fidelity Management Trust Company                       | Freedom 2005 Fund                                                                                             | **   | 82,724               |
| *   | Fidelity Management Trust Company                       | Freedom 2010 Fund                                                                                             | **   | 413,768              |
| *   | Fidelity Management Trust Company                       | Freedom 2015 Fund                                                                                             | **   | 817,377              |
| *   | Fidelity Management Trust Company                       | Freedom 2020 Fund                                                                                             | **   | 1,440,655            |
| *   | Fidelity Management Trust Company                       | Freedom 2025 Fund                                                                                             | **   | 1,576,255            |
| *   | Fidelity Management Trust Company                       | Freedom 2030 Fund                                                                                             | **   | 1,986,600            |
| *   | Fidelity Management Trust Company                       | Freedom 2035 Fund                                                                                             | **   | 1,452,193            |
| *   | Fidelity Management Trust Company                       | Freedom 2040 Fund                                                                                             | **   | 745,704              |
| *   | Fidelity Management Trust Company                       | Freedom 2045 Fund                                                                                             | **   | 454,711              |
| *   | Fidelity Management Trust Company                       | Freedom 2050 Fund                                                                                             | **   | 804,392              |
| *   | Fidelity Management Trust Company                       | Freedom 2055 Fund                                                                                             | **   | 97,328               |
| *   | Fidelity Management Trust Company                       | High Income Advantage Fund                                                                                    | **   | 317,420              |
| *   | Fidelity Management Trust Company                       | International Growth Fund                                                                                     | **   | 465,745              |
| *   | Fidelity Management Trust Company                       | Invesco Developing Market Fund                                                                                | **   | 163,294              |
| *   | Fidelity Management Trust Company                       | Invesco Equity Income Fund                                                                                    | **   | 277,379              |
| *   | Fidelity Management Trust Company                       | JPMorgan Equity Index Fund                                                                                    | **   | 851,511              |
| *   | Fidelity Management Trust Company                       | JPMorgan International Equity Index Fund                                                                      | **   | 171,423              |
| *   | Fidelity Management Trust Company                       | JPMorgan Market Expansion Index Fund                                                                          | **   | 2,234,093            |
| *   | Fidelity Management Trust Company                       | New Insights Fund                                                                                             | **   | 1,866,046            |
| *   | Fidelity Management Trust Company                       | Oppenheimer Global Fund                                                                                       | **   | 1,207,057            |
| *   | Fidelity Management Trust Company                       | Principal Small Cap S&P 600 Index Fund                                                                        | **   | 621,232              |
| *   | Fidelity Management Trust Company                       | Putnam Equity Income Fund                                                                                     | **   | 965,378              |
| *   | Fidelity Management Trust Company                       | RS Partners Fund                                                                                              | **   | 1,240,171            |
| *   | Fidelity Management Trust Company                       | Stable Value Fund                                                                                             | **   | 3,125,611            |
| *   | Fidelity Management Trust Company                       | Strategic Income Fund                                                                                         | **   | 369,170              |
| *   | Fidelity Management Trust Company                       | T. Rowe Price Blue Chip Growth Fund                                                                           | **   | 760,341              |
| *   | Fidelity Management Trust Company                       | T. Rowe Price Retirement Income Fund                                                                          | **   | 15,993               |
| *   | Participant Loans                                       | Interest rates ranging from 4.00% to 8.00%                                                                    | -    | 1,090,511            |
|     |                                                         |                                                                                                               |      | <u>\$ 25,741,379</u> |

\* A party-in-interest as defined by ERISA.

\*\* Disclosure of this information is not required by the Department of Labor's Rules and Regulations for Reporting and disclosure under ERISA when the account is participant directed.

See independent auditors' report and notes to the financial statements.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

PLAN FEIN#: 95-2949422

PLAN # 003

SCHEDULE H, LINE 4a - SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013

| Participant Contributions<br>Transferred Late to Plan<br>Check here if Late Participant<br>Loan Repayments are included:<br><input checked="" type="checkbox"/> | Total that Constitute Nonexempt Prohibited Transactions |                                            |                                             | Total Fully Corrected<br>Under Voluntary<br>Fiduciary Correction<br>Program and<br>Prohibited<br>Transaction |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                 | Contributions Not<br>Corrected                          | Contributions<br>Corrected Outside<br>VFCP | Contributions Pending<br>Correction in VFCP |                                                                                                              |
| Year ended December 31, 2013<br>\$259,768                                                                                                                       |                                                         |                                            |                                             |                                                                                                              |
|                                                                                                                                                                 | \$259,768 *                                             |                                            |                                             |                                                                                                              |

\* Lost earnings were remitted to the Plan in 2014.

**HYDRANAUTICS 401(k) PROFIT SHARING PLAN**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

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DECEMBER 31, 2013 AND 2012

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# Wright Ford Young & Co.

*Certified Public Accountants and Consultants, Inc.*

## INDEPENDENT AUDITORS' REPORT

To the Participants and Administrator of the  
Hydranautics 401(k) Profit Sharing Plan:

### **Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of the Hydranautics 401(k) Profit Sharing Plan (the Plan), which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, the related statement of changes in net assets available for benefits for the year ended December 31, 2013 and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on conducting the audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 5, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2013 and 2012, and for the year ended December 31, 2013, that the information provided to the plan administrator by the trustee is complete and accurate.

### **Disclaimer of Opinion**

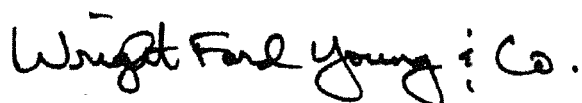
Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matter**

The supplemental schedules, Schedule H, line 4i - Schedule of Assets (Held At End of Year) and Schedule H, line 4a - Schedule of Delinquent Contributions as of and for the year ended December 31, 2013, are required by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on these supplemental schedules.

### **Report on Form and Content in Compliance With DOL Rules and Regulations**

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.



WRIGHT FORD YOUNG & CO.  
Irvine, California  
October 1, 2014

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 2013 AND 2012

|                                                                                                       | <u>2013</u>                 | <u>2012</u>                 |
|-------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| ASSETS:                                                                                               |                             |                             |
| Investments, at fair value:                                                                           |                             |                             |
| Registered investment companies                                                                       | \$ 21,525,257               | \$ 16,320,768               |
| Common/collective trusts                                                                              | 3,186,259                   | 2,440,770                   |
| Interest-bearing cash                                                                                 | <u>-</u>                    | <u>659,647</u>              |
| Total investments                                                                                     | <u>24,711,516</u>           | <u>19,421,185</u>           |
| Receivables:                                                                                          |                             |                             |
| Employer contributions                                                                                | 53,747                      | -                           |
| Notes receivable from participants                                                                    | <u>1,090,511</u>            | <u>939,093</u>              |
| Total receivables                                                                                     | <u>1,144,258</u>            | <u>939,093</u>              |
| Total assets                                                                                          | 25,855,774                  | 20,360,278                  |
| LIABILITIES:                                                                                          |                             |                             |
| Excess contributions payable                                                                          | <u>-</u>                    | <u>1,862</u>                |
| NET ASSETS REFLECTING INVESTMENTS<br>AT FAIR VALUE                                                    | 25,855,774                  | 20,358,416                  |
| ADJUSTMENT FROM FAIR VALUE TO<br>CONTRACT VALUE FOR FULLY BENEFIT-<br>RESPONSIVE INVESTMENT CONTRACTS | <u>(60,648)</u>             | <u>(81,745)</u>             |
| NET ASSETS AVAILABLE FOR BENEFITS                                                                     | <u><u>\$ 25,795,126</u></u> | <u><u>\$ 20,276,671</u></u> |

See independent auditors' report and notes to the financial statements.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2013

*Additions to net assets attributed to:*

Investment income:

|                                               |                  |
|-----------------------------------------------|------------------|
| Net appreciation in fair value of investments | \$ 2,677,835     |
| Interest and dividends                        | <u>1,304,133</u> |

|                         |                  |
|-------------------------|------------------|
| Total investment income | <u>3,981,968</u> |
|-------------------------|------------------|

|                                                       |               |
|-------------------------------------------------------|---------------|
| Interest income on notes receivable from participants | <u>49,192</u> |
|-------------------------------------------------------|---------------|

Contributions:

|             |               |
|-------------|---------------|
| Participant | 1,952,784     |
| Employer    | 997,999       |
| Rollover    | <u>45,720</u> |

|                     |                  |
|---------------------|------------------|
| Total contributions | <u>2,996,503</u> |
|---------------------|------------------|

|                 |                  |
|-----------------|------------------|
| Total additions | <u>7,027,663</u> |
|-----------------|------------------|

*Deductions from net assets attributed to:*

|                               |               |
|-------------------------------|---------------|
| Benefits paid to participants | 1,490,252     |
| Administrative expenses       | <u>18,956</u> |

|                  |                  |
|------------------|------------------|
| Total deductions | <u>1,509,208</u> |
|------------------|------------------|

|              |           |
|--------------|-----------|
| NET INCREASE | 5,518,455 |
|--------------|-----------|

|                                                         |                   |
|---------------------------------------------------------|-------------------|
| NET ASSETS AVAILABLE FOR BENEFITS,<br>beginning of year | <u>20,276,671</u> |
|---------------------------------------------------------|-------------------|

|                                                   |                             |
|---------------------------------------------------|-----------------------------|
| NET ASSETS AVAILABLE FOR BENEFITS,<br>end of year | <u><u>\$ 25,795,126</u></u> |
|---------------------------------------------------|-----------------------------|

See independent auditors' report and notes to the financial statements.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 1. DESCRIPTION OF PLAN

The following description of the Hydranautics 401(k) Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

##### General

The Plan is a defined contribution plan covering substantially all employees of Hydranautics and employees of the Company's affiliates, Nitto Denko Technical Corporation and Nitto Innovations Incorporated (collectively referred to as the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Employees who have attained at least 18 years of age are automatically enrolled in the Plan (with a 5% salary deferral) on the first day of the month following completion of 3 months of service, unless the employee has elected a different percentage or to opt-out.

##### Administration

The Plan is administered by the Company.

##### Contributions

Participants may elect to contribute an amount up to 90% of eligible pre-tax and post-tax compensation, not to exceed the limits of the Internal Revenue Code (the IRC). Participants direct the investment of their contributions into various investment options offered by the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

During 2013, the Company made a safe harbor contribution equal to 100% of the participant's deferral, up to the first 3% of compensation and 50% of the participant's deferral, up to the next 2% of compensation. The Company may also make discretionary profit sharing contributions. For the year ended December 31, 2013, the Company made no discretionary profit sharing contributions.

##### Participant Accounts

Each participant's account is credited with the participant's contributions, safe harbor contributions and allocations of (a) the Company's profit sharing contributions, if any, (b) participant account earnings, and charged with an allocation of administrative expenses, if applicable. Allocations are based on participant's eligible compensation, participant contributions, investment elections and/or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

1. DESCRIPTION OF PLAN - (Continued)

Payment of Benefits

On termination of service due to death, disability, retirement or other reasons, a participant may elect to receive a lump-sum amount equal to the value of the participant's vested interest in his or her account or installments. Participants may also elect to rollover their account to another tax deferred account or remain in the Plan until they are legally required to begin taking distributions. All vested account balances not exceeding \$1,000 may be immediately distributed in a lump-sum payment. All vested account balances exceeding \$1,000, but not exceeding \$5,000, may be rolled into an Individual Retirement Account. With the plan administrator's approval, participants may withdraw all or part of their aggregate contributions in the event of financial hardship.

Vesting

Participants are immediately vested in their contributions and the Company's safe harbor contributions, plus actual earnings thereon.

Forfeitures

The unvested portion of a terminated participant's account will be forfeited and used to reduce future Company contributions or to pay Plan expenses. For the year ended December 31, 2013, the plan used \$6,750 from forfeited nonvested accounts to pay plan administrative expenses. As of December 31, 2013 and 2012, the amount of available forfeitures totaled \$4,882 and \$2,318, respectively.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000, up to a maximum amount equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from 1 to 5 years or within a reasonable period of time that is longer than 5 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and generally bear interest at a rate commensurate with the rates that a bank or other professional lender would charge for making a loan in a similar circumstance. Principal and interest is paid ratably through payroll deductions. Under the provisions of the Plan, participants are only allowed one outstanding loan balance at any given time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Basis of Accounting - (Continued)

As described in guidance issued by the Financial Accounting Standards Board (the FASB) for reporting of fully benefit-responsive investment contracts held by certain investment companies, investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the guidance, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

##### Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

##### Notes Receivable from Participants

Notes receivable from participants represent participant loans that are recorded at their unpaid principal balance plus accrued interest. Related fees are recorded as administrative expenses and are expensed when they are incurred. No allowance for credit losses has been recorded as of December 31, 2013 or 2012. Delinquent participant loans are reclassified as distributions based upon the terms of the plan agreement.

##### Payment of Benefits

Benefits are recorded when paid.

##### Plan Fees and Administrative Expenses

Plan fees and administrative expenses are generally paid by the Plan, unless paid by the Company.

## HYDRANAUTICS 401(k) PROFIT SHARING PLAN

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

##### Subsequent Events

The Company has evaluated subsequent events through the date of the independent auditors' report, which is the date the accompanying financial statements were available to be issued.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

#### 3. FAIR VALUE MEASUREMENTS

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

3. FAIR VALUE MEASUREMENTS - (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

*Registered investment companies:* These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

*Common collective trusts – stable value fund:* Valued at the NAV of units held by the Plan at year end. The NAV is based upon the market value of its underlying investments. These underlying investments include wrap contracts, debt securities and open-end investment companies. The fair value of investments in wrap contracts is determined using a discounted cash flow model that considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying securities and is classified as level 3 in the hierarchy. The fair value of investments in debt securities is based on evaluated prices received from third party pricing vendors or from brokers who make markets in such securities and are classified as level 2 in the hierarchy. The fair value of investments in open-end investments are valued at their closing NAV each business day and are classified as level 1 for registered investment companies and level 2 for nonregistered investment companies. As the underlying investments are classified at varying levels in the hierarchy, this investment is classified at the lowest level in the hierarchy.

*Interest-bearing cash:* Interest bearing cash consist of money market investments. The carrying value is believed to be representative of its fair value based on its short term nature and are classified within level 1 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# HYDRANAUTICS 401(k) PROFIT SHARING PLAN

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

### 3. FAIR VALUE MEASUREMENTS - (Continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012:

| Description                           | Total                | Level 1              | Level 2     | Level 3             |
|---------------------------------------|----------------------|----------------------|-------------|---------------------|
| <u>December 31, 2013</u>              |                      |                      |             |                     |
| Registered investment companies:      |                      |                      |             |                     |
| Mid to Large Cap Stock Funds          | \$ 18,066,625        | \$ 18,066,625        | \$ -        | \$ -                |
| Fixed Income Funds                    | 829,882              | 829,882              | -           | -                   |
| International Funds                   | 2,007,518            | 2,007,518            | -           | -                   |
| Small Cap Stock Funds                 | 621,232              | 621,232              | -           | -                   |
| Total registered investment companies | 21,525,257           | 21,525,257           | -           | -                   |
| Common/collective trusts              | 3,186,259            | -                    | -           | 3,186,259           |
| Total investments at fair value       | <u>\$ 24,711,516</u> | <u>\$ 21,525,257</u> | <u>\$ -</u> | <u>\$ 3,186,259</u> |
| Description                           | Total                | Level 1              | Level 2     | Level 3             |
| <u>December 31, 2012</u>              |                      |                      |             |                     |
| Registered investment companies:      |                      |                      |             |                     |
| Mid to Large Cap Stock Funds          | \$ 13,200,299        | \$ 13,200,299        | \$ -        | \$ -                |
| Fixed Income Funds                    | 1,175,683            | 1,175,683            | -           | -                   |
| International Funds                   | 1,589,381            | 1,589,381            | -           | -                   |
| Small Cap Stock Funds                 | 355,405              | 355,405              | -           | -                   |
| Total registered investment companies | 16,320,768           | 16,320,768           | -           | -                   |
| Common/collective trusts              | 2,440,770            | -                    | -           | 2,440,770           |
| Interest-bearing cash                 | 659,647              | 659,647              | -           | -                   |
| Total investments at fair value       | <u>\$ 19,421,185</u> | <u>\$ 16,980,415</u> | <u>\$ -</u> | <u>\$ 2,440,770</u> |

In regards to the classification of investment options offered by the Plan, there were no reclassifications between Levels 1, 2 and 3 during the year ended December 31, 2013.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

3. FAIR VALUE MEASUREMENTS - (Continued)

The following table sets forth a summary of changes in the fair value of the Plan's level 3 assets for the year ended December 31, 2013.

|                            | <u>Common/collective<br/>Trusts</u> |
|----------------------------|-------------------------------------|
| Balance, beginning of year | \$ 2,440,770                        |
| Purchases                  | 1,550,505                           |
| Sales                      | (799,920)                           |
| Change in fair value       | (21,097)                            |
| Interest Income            | 25,201                              |
| Administrative fees        | <u>(9,200)</u>                      |
| Balance, end of year       | <u>\$ 3,186,259</u>                 |

The following table represents the Plan's level 3 investment, the valuation techniques used to measure the fair value of the investment, and the significant unobservable inputs and the ranges of values for those inputs.

| <i>Instrument</i>    | <i>Fair Value</i> | <i>Principal<br/>Valuation<br/>Method</i> | <i>Unobservable<br/>Inputs</i> | <i>Range of<br/>Significant<br/>Unobservable<br/>Inputs</i> | <i>Weighted<br/>Average</i> |
|----------------------|-------------------|-------------------------------------------|--------------------------------|-------------------------------------------------------------|-----------------------------|
| Stable Value<br>Fund | \$3,186,259       | Discounted<br>Cash Flow                   | Various<br>Assumptions         | (A)                                                         | (A)                         |

(A) Fair value is determined using a discounted cash flow model that considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying securities.

4. INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Plan holds assets in a common/collective trust with Fidelity that invests in a benefit-responsive investment contract. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

4. INVESTMENT CONTRACT WITH INSURANCE COMPANY - (Continued)

As described in Note 2, because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by Fidelity, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based on a formula agreed upon with the issuer, but it may not be less than 0%. Such interest rates are reviewed on a quarterly basis for resetting.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the Plan documents (including complete or partial plan termination or merger with another plan), (2) changes to the Plan's prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Company or other Company events that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from Federal income taxes or any required prohibited transaction exemption under ERISA. The plan administrator does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The guaranteed investment contract does not permit the issuer to terminate the agreement prior to the scheduled maturity date.

|                                                 |             |             |
|-------------------------------------------------|-------------|-------------|
| <i>Average yields:</i>                          | <u>2013</u> | <u>2012</u> |
| Based on actual earnings                        | 1.70%       | 1.69%       |
| Based on interest rate credited to participants | 0.92%       | 1.11%       |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

5. INFORMATION CERTIFIED BY THE PLAN'S TRUSTEE

The plan administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Fidelity Management Trust Company (Fidelity), the trustee of the Plan, has certified to the completeness and accuracy of the following information which is included in the financial statements and supplemental schedule of assets (held at end of year) as of December 31, 2013 and 2012, and for the year ended December 31, 2013.

|                                                       | <u>2013</u>   | <u>2012</u>   |
|-------------------------------------------------------|---------------|---------------|
| Registered investment companies                       | \$ 21,525,257 | \$ 16,320,768 |
| Common / collective trusts                            | 3,125,611     | 2,359,025     |
| Interest-bearing cash                                 | -             | 659,647       |
| Notes receivable from participants                    | 1,090,511     | 939,093       |
| Net appreciation in fair value of investments         | 2,677,835     | *             |
| Interest and dividends                                | 1,304,133     | *             |
| Interest income on notes receivable from participants | 49,192        | *             |

\* Information is not required.

6. INVESTMENTS

The following table presents investments that represent 5% or more of the Plan's net assets at December 31, 2013 and 2012:

|                                      | <u>2013</u>  |
|--------------------------------------|--------------|
| Stable Value Fund                    | \$ 3,125,611 |
| New Insights Fund                    | 1,866,046    |
| Freedom 2020 Fund                    | 1,440,655    |
| Freedom 2025 Fund                    | 1,576,255    |
| Freedom 2030 Fund                    | 1,986,600    |
| Freedom 2035 Fund                    | 1,452,193    |
| JPMorgan Market Expansion Index Fund | 2,234,093    |
|                                      | <u>2012</u>  |
| Stable Value Fund                    | \$ 2,440,770 |
| New Insights Fund                    | 1,493,402    |
| Freedom 2020 Fund                    | 1,271,655    |
| Freedom 2025 Fund                    | 1,090,917    |
| Freedom 2030 Fund                    | 1,417,848    |
| Freedom 2035 Fund                    | 1,088,390    |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

6. INVESTMENTS – (Continued)

For the year ended December 31, 2013, the Plan's investments in registered investment companies (including investments bought, sold and held during the year) appreciated in value by \$2,677,835.

7. PARTY-IN-INTEREST TRANSACTIONS

The Plan allows for transactions with certain parties who may perform services or have fiduciary responsibilities to the Plan. Certain Plan investments are managed by Fidelity, the trustee and record-keeper of the Plan. The Plan paid \$12,206 in contract administration fees to Fidelity and \$6,750 in audit fees during 2013. The Plan issues loans to participants, which are secured by the balances in the participants' accounts. The Company paid certain administrative expenses of the Plan, including recordkeeping fees. These transactions qualify as party-in-interest transactions for which a statutory exemption exists.

8. TAX STATUS

The Company adopted a Volume Submitter Profit Sharing Plan which received a favorable opinion letter from the Internal Revenue Service (IRS) on March 31, 2008, which stated that the Plan, as then designed, was in accordance with applicable sections of the IRC. The Plan has since been amended. The plan administrator believes the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

9. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right to terminate or amend the Plan at any time, subject to the provisions of ERISA.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

10. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 at December 31, 2013 and 2012:

|                                                                                               | <u>2013</u>          | <u>2012</u>          |
|-----------------------------------------------------------------------------------------------|----------------------|----------------------|
| Total net assets available for benefits per the financial statements                          | \$ 25,795,126        | \$ 20,276,671        |
| Less employer contribution receivable per the financial statement                             | (53,747)             | -                    |
| Add accrual of corrective distribution per the financial statement                            | -                    | 1,862                |
| Add fair value to contract value adjustment for fully benefit-responsive investment contracts | <u>60,648</u>        | <u>81,745</u>        |
| Total net assets available for benefits per Form 5500                                         | <u>\$ 25,802,027</u> | <u>\$ 20,360,278</u> |

The following is a reconciliation of the net appreciation in fair value of investments per the financial statements to the Form 5500 for the year ended December 31, 2013:

|                                                                                                     |                     |
|-----------------------------------------------------------------------------------------------------|---------------------|
| Net appreciation in fair value of investments per the financial statements                          | \$ 2,677,835        |
| 2012 adjustment from fair value to contract value for fully benefit-responsive investment contracts | (81,745)            |
| 2013 adjustment from fair value to contract value for fully benefit-responsive investment contracts | <u>60,648</u>       |
| Net appreciation in fair value of investments per Form 5500                                         | <u>\$ 2,656,738</u> |

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

11. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 – (Continued)

The following is a reconciliation of total contributions per the financial statements to the Form 5500 for the year ended December 31, 2013:

|                                                  |                     |
|--------------------------------------------------|---------------------|
| Total contributions per the financial statements | \$ 2,996,503        |
| Less 2012 corrective distributions               | (1,862)             |
| Less 2013 employer contribution receivable       | <u>(53,747)</u>     |
| Total contributions per Form 5500                | <u>\$ 2,940,894</u> |

12. SUBSEQUENT EVENTS

On or about December 31, 2014, the Plan is expected to merge with other related entities plans within a controlled group.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

PLAN FEIN#: 95-2949422

PLAN # 003

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2013

| (a) | (b)                                                     | (c)                                                                                                           | (d)  | (e)                  |
|-----|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|------|----------------------|
|     | Identity of issue, borrower, lessor or<br>similar party | Description of investment including maturity<br>date, rate of interest, collateral, par, or maturity<br>value | Cost | Current Value        |
| *   | Fidelity Management Trust Company                       | Calvert Short Duration Income Fund                                                                            | **   | \$ 127,297           |
| *   | Fidelity Management Trust Company                       | Freedom 2005 Fund                                                                                             | **   | 82,724               |
| *   | Fidelity Management Trust Company                       | Freedom 2010 Fund                                                                                             | **   | 413,768              |
| *   | Fidelity Management Trust Company                       | Freedom 2015 Fund                                                                                             | **   | 817,377              |
| *   | Fidelity Management Trust Company                       | Freedom 2020 Fund                                                                                             | **   | 1,440,655            |
| *   | Fidelity Management Trust Company                       | Freedom 2025 Fund                                                                                             | **   | 1,576,255            |
| *   | Fidelity Management Trust Company                       | Freedom 2030 Fund                                                                                             | **   | 1,986,600            |
| *   | Fidelity Management Trust Company                       | Freedom 2035 Fund                                                                                             | **   | 1,452,193            |
| *   | Fidelity Management Trust Company                       | Freedom 2040 Fund                                                                                             | **   | 745,704              |
| *   | Fidelity Management Trust Company                       | Freedom 2045 Fund                                                                                             | **   | 454,711              |
| *   | Fidelity Management Trust Company                       | Freedom 2050 Fund                                                                                             | **   | 804,392              |
| *   | Fidelity Management Trust Company                       | Freedom 2055 Fund                                                                                             | **   | 97,328               |
| *   | Fidelity Management Trust Company                       | High Income Advantage Fund                                                                                    | **   | 317,420              |
| *   | Fidelity Management Trust Company                       | International Growth Fund                                                                                     | **   | 465,745              |
| *   | Fidelity Management Trust Company                       | Invesco Developing Market Fund                                                                                | **   | 163,294              |
| *   | Fidelity Management Trust Company                       | Invesco Equity Income Fund                                                                                    | **   | 277,379              |
| *   | Fidelity Management Trust Company                       | JPMorgan Equity Index Fund                                                                                    | **   | 851,511              |
| *   | Fidelity Management Trust Company                       | JPMorgan International Equity Index Fund                                                                      | **   | 171,423              |
| *   | Fidelity Management Trust Company                       | JPMorgan Market Expansion Index Fund                                                                          | **   | 2,234,093            |
| *   | Fidelity Management Trust Company                       | New Insights Fund                                                                                             | **   | 1,866,046            |
| *   | Fidelity Management Trust Company                       | Oppenheimer Global Fund                                                                                       | **   | 1,207,057            |
| *   | Fidelity Management Trust Company                       | Principal Small Cap S&P 600 Index Fund                                                                        | **   | 621,232              |
| *   | Fidelity Management Trust Company                       | Putnam Equity Income Fund                                                                                     | **   | 965,378              |
| *   | Fidelity Management Trust Company                       | RS Partners Fund                                                                                              | **   | 1,240,171            |
| *   | Fidelity Management Trust Company                       | Stable Value Fund                                                                                             | **   | 3,125,611            |
| *   | Fidelity Management Trust Company                       | Strategic Income Fund                                                                                         | **   | 369,170              |
| *   | Fidelity Management Trust Company                       | T. Rowe Price Blue Chip Growth Fund                                                                           | **   | 760,341              |
| *   | Fidelity Management Trust Company                       | T. Rowe Price Retirement Income Fund                                                                          | **   | 15,993               |
| *   | Participant Loans                                       | Interest rates ranging from 4.00% to 8.00%                                                                    | -    | 1,090,511            |
|     |                                                         |                                                                                                               |      | <u>\$ 25,741,379</u> |

\* A party-in-interest as defined by ERISA.

\*\* Disclosure of this information is not required by the Department of Labor's Rules and Regulations for Reporting and disclosure under ERISA when the account is participant directed.

See independent auditors' report and notes to the financial statements.

HYDRANAUTICS 401(k) PROFIT SHARING PLAN

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PLAN # 003

SCHEDULE H, LINE 4a - SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013

| Participant Contributions<br>Transferred Late to Plan<br>Check here if Late Participant<br>Loan Repayments are included:<br><input checked="" type="checkbox"/> | Total that Constitute Nonexempt Prohibited Transactions |                                            |                                             | Total Fully Corrected<br>Under Voluntary<br>Fiduciary Correction<br>Program and<br>Prohibited<br>Transaction |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                 | Contributions Not<br>Corrected                          | Contributions<br>Corrected Outside<br>VFCP | Contributions Pending<br>Correction in VFCP |                                                                                                              |
| Year ended December 31, 2013<br>\$259,768                                                                                                                       |                                                         |                                            |                                             |                                                                                                              |
|                                                                                                                                                                 | \$259,768 *                                             |                                            |                                             |                                                                                                              |

\* Lost earnings were remitted to the Plan in 2014.