

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan 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 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 <div style="text-align: center; font-size: 24pt; font-weight: bold;">2018</div> This Form is Open to Public Inspection
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Part I	Annual Report Identification Information
For calendar plan year 2018 or fiscal plan year beginning <u>01/01/2018</u> and ending <u>12/31/2018</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report ☐ the final return/report ☐ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here. ☐	
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information		
1a Name of plan <u>FAMOUS ENTERPRISES, INC. EMPLOYEE SAVINGS 401(K) PLAN</u>	1b Three-digit plan number (PN) ▶	<div style="border: 1px solid black; width: 40px; margin: 0 auto; padding: 2px;">001</div>	
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>FAMOUS ENTERPRISES, INC.</u> <u>2620 RIDGEWOOD ROAD</u> <u>AKRON, OH 44313</u>		1c Effective date of plan <u>07/01/1993</u>	2b Employer Identification Number (EIN) <u>34-1726677</u>
(Address area continues)		2c Plan Sponsor's telephone number <u>330-762-9621</u>	2d Business code (see instructions) <u>423700</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.

SIGN HERE	Filed with authorized/valid electronic signature.	10/09/2019	PETER BASTULLI
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2018)
v. 171027

3a Plan administrator's name and address ☒ Same as Plan Sponsor	3b Administrator's EIN 3c Administrator's telephone number <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 1159
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 874 6a(2) 937 6b 12 6c 220 6d 1169 6e 0 6f 1169 6g 1073 6h 116
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2J 2K 2S 2T 3D 3H b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
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10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules

- (1)** ☒ **R** (Retirement Plan Information)
- (2)** ☐ **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)** ☐ **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary

b General Schedules

- (1)** ☒ **H** (Financial Information)
- (2)** ☐ **I** (Financial Information – Small Plan)
- (3)** ☐ **0** **A** (Insurance Information)
- (4)** ☒ **C** (Service Provider Information)
- (5)** ☒ **D** (DFE/Participating Plan Information)
- (6)** ☐ **G** (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2018 Form M-1 annual report. If the plan was not required to file the 2018 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2018
		This Form is Open to Public Inspection.

For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018		
A Name of plan FAMOUS ENTERPRISES, INC. EMPLOYEE SAVINGS 401(K) PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 FAMOUS ENTERPRISES, INC.	D Employer Identification Number (EIN) 34-1726677	

Part I	Service Provider Information (see instructions)
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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
(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)

SAFEGUARD SECURITIES, INC.

23-2697799

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
27 51	NONE	99520	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

FLEXIBLE BENEFITS SYSTEMS, INC.

34-1722481

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
15 37 50 64 99	NONE	40529	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

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

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

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) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) 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) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

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

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

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

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

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 (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 (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 (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
(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
(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
(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
(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
(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)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

<div>SCHEDULE D (Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div>		<div>DFE/Participating Plan Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>		<div>OMB No. 1210-0110</div> <div>2018</div> <div>This Form is Open to Public Inspection.</div>	
For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018					
A Name of plan FAMOUS ENTERPRISES, INC. EMPLOYEE SAVINGS 401(K) PLAN				B Three-digit plan number (PN) ▶ 001	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 FAMOUS ENTERPRISES, INC.				D Employer Identification Number (EIN) 34-1726677	
Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)					
a Name of MTIA, CCT, PSA, or 103-12 IE: RELIANCE TRUST NEW YORK LIFE ANCHOR					
b Name of sponsor of entity listed in (a): RELIANCE TRUST COMPANY					
c EIN-PN 46-6350416-001		d Entity code C		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 4408074	
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)	
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)	
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 MT	

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

SCHEDULE H (Form 5500) <small>Department of the Treasury Internal Revenue Service</small> <small>Department of Labor Employee Benefits Security Administration</small> <small>Pension Benefit Guaranty Corporation</small>	Financial Information 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). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2018 This Form is Open to Public Inspection
For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018		
A Name of plan FAMOUS ENTERPRISES, INC. EMPLOYEE SAVINGS 401(K) PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 FAMOUS ENTERPRISES, INC.	D Employer Identification Number (EIN) 34-1726677	

Part I Asset and Liability Statement			
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
a Total noninterest-bearing cash	1a	141968	150150
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions.....	1b(1)	85349	0
(2) Participant contributions	1b(2)	11542	0
(3) Other.....	1b(3)	0	76800
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit).....	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common.....	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property).....	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans.....	1c(8)	769133	881390
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities.....	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	35603789	32471839
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:		
(1)	Employer securities	1d(1)	
(2)	Employer real property	1d(2)	
e	Buildings and other property used in plan operation	1e	
f	Total assets (add all amounts in lines 1a through 1e)	1f	36611781 33580179
Liabilities			
g	Benefit claims payable	1g	
h	Operating payables	1h	
i	Acquisition indebtedness	1i	
j	Other liabilities	1j	
k	Total liabilities (add all amounts in lines 1g through 1j)	1k	0 0
Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	36611781 33580179

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.

		(a) Amount	(b) Total
a	Contributions:		
(1)	Received or receivable in cash from: (A) Employers	2a(1)(A)	318717
	(B) Participants	2a(1)(B)	2088928
	(C) Others (including rollovers)	2a(1)(C)	286931
(2)	Noncash contributions	2a(2)	
(3)	Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)	2694576
b	Earnings on investments:		
(1)	Interest:		
	(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	
	(B) U.S. Government securities	2b(1)(B)	
	(C) Corporate debt instruments	2b(1)(C)	
	(D) Loans (other than to participants)	2b(1)(D)	
	(E) Participant loans	2b(1)(E)	42991
	(F) Other	2b(1)(F)	
	(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)	42991
(2)	Dividends: (A) Preferred stock	2b(2)(A)	
	(B) Common stock	2b(2)(B)	
	(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	688848
	(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)	688848
(3)	Rents	2b(3)	
(4)	Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	-2161379
	(B) Aggregate carrying amount (see instructions)	2b(4)(B)	
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)	-2161379
(5)	Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	
	(B) Other	2b(5)(B)	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)	0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds)	2b(10)		
c Other income	2c		
d Total income. Add all income amounts in column (b) and enter total	2d		1265036

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	4135757	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		4135757
f Corrective distributions (see instructions)	2f		
g Certain deemed distributions of participant loans (see instructions)	2g		
h Interest expense	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	88665	
(4) Other	2i(4)	72216	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		160881
j Total expenses. Add all expense amounts in column (b) and enter total	2j		4296638

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		-3031602
l Transfers of assets:			
(1) To this plan	2l(1)		
(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: COHEN & COMPANY, LTD

(2) EIN: 34-1912961

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		3042
4b		X	

		Yes	No	Amount
c 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.)	4c		X	
d 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.).....	4d		X	
e Was this plan covered by a fidelity bond?	4e	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	4f	X		76800
g 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?.....	4g		X	
h 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?.....	4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	4i	X		
j 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.)	4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?	4k		X	
l Has the plan failed to provide any benefit when due under the plan?.....	4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	4m		X	
n 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.	4n			

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

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
 If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____. (See instructions.)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2018 This Form is Open to Public Inspection.
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For calendar plan year 2018 or fiscal plan year beginning 01/01/2018 and ending 12/31/2018

A Name of plan <u>FAMOUS ENTERPRISES, INC. EMPLOYEE SAVINGS 401(K) PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>FAMOUS ENTERPRISES, INC.</u>	D Employer Identification Number (EIN) <u>34-1726677</u>

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	<u>0</u>
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): EIN(s): <u>25-1211909</u> <u>34-1722481</u>		
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)?	☐ Yes	☐ No	☐ 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?	☐ Yes	☐ No	☐ 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?	☐ Yes	☐ No	☐ 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.....	☐ Increase	☐ Decrease	☐ Both	☐ 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?	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ 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.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2018
v. 171027

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:

a The current year

b The plan year immediately preceding the current plan year

c The second preceding plan year

14a**14b****14c**

- 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:

a The corresponding number for the plan year immediately preceding the current plan year

b The corresponding number for the second preceding plan year

15a**15b**

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

a Enter the number of employers who withdrew during the preceding plan year

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

16a**16b**

- 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: 0.0 % 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): _____



Famous Supply Group

Combined Financial Statements
December 31, 2018 and 2017

Cohen & Co

cohen CPA.com

FAMOUS SUPPLY GROUP
DECEMBER 31, 2018 AND 2017

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Cohen & Co

Independent Auditors' Report

Board of Directors
Famous Supply Group

We have audited the accompanying combined financial statements of Famous Supply Group, which comprise the combined balance sheet as of December 31, 2018 and 2017, and the related combined statements of income and retained earnings and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Famous Supply Group as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Cleveland, Ohio
April 23, 2019

COHEN & COMPANY, LTD.
800.229.1099 | 866.818.4538 fax | cohencpa.com

COMBINED BALANCE SHEET

DECEMBER 31, 2018 AND 2017

	2018	2017		2018	2017
ASSETS			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 4,214,546	\$ 2,121,968	Current portion of long-term debt	\$ 125,962	\$ 342,308
Trade accounts receivable - Net	43,870,663	40,610,504	Current portion of obligations under capitalized leases	1,584,112	1,296,979
Inventory - Net	71,893,168	62,327,086	Accounts payable	21,953,718	19,690,784
Due from affiliates and shareholders	22,286	23,917	Accrued expenses and other current liabilities	3,421,105	2,740,518
Prepaid expenses and other current assets	2,081,463	722,548		27,084,897	24,070,589
Refundable income taxes	1,209,891	1,175,113			
	<u>123,292,017</u>	<u>106,981,136</u>			
PROPERTY, PLANT, AND EQUIPMENT - AT COST			OBLIGATIONS UNDER CAPITALIZED LEASES	950,963	1,643,845
Land and improvements	165,289	165,289	LONG-TERM DEBT	62,380,996	51,055,281
Buildings and improvements	2,900,901	2,900,901	DEFERRED INCOME TAXES	2,813,000	2,425,300
Machinery and equipment	24,869,921	22,150,234	COMMITMENTS AND CONTINGENCIES		
Leasehold improvements	12,808,538	12,602,275			
Transportation equipment	12,749,938	14,191,235	SHAREHOLDERS' EQUITY		
Construction in progress	634,056	691,363			
	54,128,643	52,701,297	COMMON STOCK	215,000	215,000
Less: Accumulated depreciation	33,431,705	31,862,357	RETAINED EARNINGS	56,343,230	54,760,495
	<u>20,696,938</u>	<u>20,838,940</u>		56,558,230	54,975,495
OTHER ASSETS				\$ 149,788,086	\$ 134,170,510
Due from affiliates and shareholders	4,950,526	5,544,530			
Other	848,605	805,904			
	<u>5,799,131</u>	<u>6,350,434</u>			
	<u>\$ 149,788,086</u>	<u>\$ 134,170,510</u>			

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
NET SALES	\$ 336,252,368	\$ 311,137,249
COST OF SALES	<u>259,105,024</u>	<u>240,438,609</u>
GROSS PROFIT	77,147,344	70,698,640
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	<u>78,190,125</u>	<u>72,001,008</u>
OPERATING LOSS	<u>(1,042,781)</u>	<u>(1,302,368)</u>
OTHER INCOME (EXPENSE)		
Interest expense	(2,202,085)	(1,587,381)
Other income - Net	<u>5,727,271</u>	<u>4,601,884</u>
	<u>3,525,186</u>	<u>3,014,503</u>
INCOME BEFORE INCOME TAXES	<u>2,482,405</u>	<u>1,712,135</u>
INCOME TAX PROVISION (BENEFIT)		
Current		
Federal	15,124	226,285
State and local	496,846	570,603
Deferred	<u>387,700</u>	<u>(1,442,900)</u>
	<u>899,670</u>	<u>(646,012)</u>
NET INCOME	1,582,735	2,358,147
RETAINED EARNINGS - BEGINNING OF YEAR	<u>54,760,495</u>	<u>52,402,348</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 56,343,230</u>	<u>\$ 54,760,495</u>

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOW USED IN OPERATING ACTIVITIES		
Net income	\$ 1,582,735	\$ 2,358,147
Noncash items included in operations		
Depreciation	3,789,695	3,694,006
Gain on sale of property and equipment	(1,154,892)	(41,764)
Deferred income taxes	387,700	(1,442,900)
Increase (decrease) in cash caused by changes in current items		
Trade accounts receivable - Net	(3,260,159)	(3,460,099)
Inventory - Net	(9,566,082)	(5,572,878)
Prepaid expenses and other current assets	(1,358,915)	(250,822)
Refundable income taxes	(34,778)	(506,542)
Other assets	(42,701)	(40,290)
Accounts payable	2,262,934	(1,234,804)
Accrued expenses and other current liabilities	680,587	(461,796)
Net cash flow used in operations	<u>(6,713,876)</u>	<u>(6,959,742)</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Capital expenditures	(3,309,549)	(2,588,862)
Proceeds from sale of property and equipment	152,490	85,867
Repayments from affiliates and shareholders	595,635	391,955
Advances to affiliates and shareholders	<u>(2,561,424)</u>	<u>(158,206)</u>
	<u>(2,561,424)</u>	<u>(2,269,246)</u>
CASH FLOW PROVIDED FROM FINANCING ACTIVITIES		
Repayments on obligations under capitalized leases	(1,378,991)	(972,925)
Net borrowings on revolving credit facility	12,926,436	10,062,441
Repayments on term note	<u>(179,567)</u>	<u>(344,556)</u>
	<u>11,367,878</u>	<u>8,744,960</u>
NET INCREASE (DECREASE) IN CASH	2,092,578	(484,028)
CASH - BEGINNING OF YEAR	<u>2,121,968</u>	<u>2,605,996</u>
CASH - END OF YEAR	<u>\$ 4,214,546</u>	<u>\$ 2,121,968</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of equipment via capitalized lease	<u>\$ 973,242</u>	<u>\$ 1,437,260</u>
Sale of transportation equipment by transfer of debt	<u>\$ 1,637,500</u>	
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 2,165,235</u>	<u>\$ 1,487,885</u>
Taxes paid	<u>\$ 107,463</u>	<u>\$ 610,500</u>

The accompanying notes are an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Group operates primarily as a wholesale distributor of HVAC, plumbing, PVF, industrial, and building products, and to a lesser extent, as a manufacturer of ventilation products. The Group has 40 warehouses located primarily in the Midwest.

Approximately 9% of the Group's employees are subject to collective bargaining agreements, which expire at various times through 2021.

Principles of Combination

The combined financial statements include the accounts of Famous Enterprises, Inc. and its 100% owned subsidiaries (Famous Distribution, Famous Industries, and Famous Air) combined with Applied Products Company, Inc. (Applied Products) (collectively, Famous Supply Group or the Group) which are affiliated through common ownership and management. All intercompany balances and transactions have been eliminated in combination.

Revenue Recognition

Substantially all sales are recognized when products are shipped and title has passed to unaffiliated customers.

Cash

The Group held cash, with a bank, that exceeded the related federal deposit insurance. The Group has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on cash.

Receivables and Credit Policies

Trade accounts receivable are uncollateralized customer obligations generally due under normal trade terms requiring payment between 30 and 60 days from the invoice date. The Group generally collects receivables within 30 days, and may charge interest up to 24% on accounts receivable with invoice dates over 30 days old.

Accounts receivable are stated at the amount billed to the customer, plus any accrued and unpaid interest. Generally, interest continues to accrue on delinquent accounts until the account is identified as uncollectible at which time the account is placed on non-accrual status.

Certain past due customer accounts are converted to collateralized term notes, bearing interest at varying rates from 1.65% - 6%, with a majority due within twelve months and collateralized by property and personal guarantees of the obligor. Such amounts, including accrued interest, are included in trade accounts receivable – net and at December 31, 2018 and 2017, totaled approximately \$692,100 and \$479,900, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Credit Policies (continued)

The carrying amount of trade accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all trade accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining trade accounts receivable based on historical collectibility. When receivables are determined to be uncollectible, they are written off against the allowance for doubtful accounts. At December 31, 2018 and 2017, such allowance for doubtful accounts amounted to approximately \$190,000 and \$195,000, respectively.

Trade accounts receivable also include amounts due from vendors relating to rebates that were earned and unpaid at year-end.

Inventory

Wholesale inventory is stated at the lower of cost (last-in, first-out) or market. Production inventory is stated at the lower of cost (first-in, first-out) or net realizable value.

Depreciation

Depreciation of property, plant, and equipment is provided by use of the straight-line method over the following estimated useful lives of the assets:

Land improvements	20 years
Buildings and improvements	5 - 40 years
Machinery and equipment	3 - 10 years
Transportation equipment	3 - 5 years

Depreciation of leasehold improvements is provided over the lesser of the estimated useful lives of the respective assets or the lease term using the straight-line method.

Income Taxes

Income taxes have been provided using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the combined financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Group files a consolidated federal income tax return for Famous Enterprises, Inc. and its 100% owned subsidiaries and a separate federal income tax return for Applied Products.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Uncertainty in Income Taxes

The Group recognizes and discloses uncertain tax positions in accordance with accounting principles generally accepted in the United States of America (GAAP). As of and during the years ended December 31, 2018 and 2017, the Group did not have a liability for unrecognized tax benefits.

Accounting Estimates

Management uses estimates and assumptions in preparing the combined financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Significant estimates include the Group's liability for self-insured medical insurance, self-insured workers' compensation costs, and the reserve for obsolete and slow-moving inventory. It is reasonably possible that changes in such estimates could occur in the near term.

Self-Insured Medical Insurance

The Group provides health insurance coverage for certain employees under its own partially self-insured plan. Medical expenses are accrued based on amounts required to settle known (reported) claims and estimated amounts required to satisfy claims incurred but not yet reported (IBNR claims). As of December 31, 2018 and 2017, the accompanying combined financial statements include an accrual of approximately \$447,200 and \$166,800, respectively, for reported and IBNR claims based on the Group's experience of the claims actually made.

Management believes that the liability for the partially self-funded medical coverage is adequate; however, the ultimate liability may vary from the amount provided. The methods for making such estimates and for establishing the liability are continually reviewed, and any adjustments are reflected in earnings in the period in which final adjustment occurs.

Shipping Costs

The Group records shipping and handling amounts billed to customers in net sales and costs related to shipping and handling in selling, general, and administrative expenses.

Other Income - Net

A substantial portion of other income in 2018 and 2017 resulted from discounts received from vendors for products purchased and in 2018 from the gain on sale of transportation equipment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

For the years ended December 31, 2018 and 2017, one customer accounted for approximately 14% and 13% of net sales, respectively. There were no concentrations in trade accounts receivable – net as of December 31, 2018 and 2017.

Common Control Leasing Arrangements

The Group has elected to use the GAAP private company common control leasing accounting alternative. In accordance with this alternative the Group does not evaluate entities with certain common control leasing arrangements to determine if they are variable interest entities for which the Group is the primary beneficiary. Instead, the Group discloses the leasing arrangements as required by the accounting alternative. See Note 9.

Subsequent Events

Management has evaluated subsequent events through April 23, 2019, the date the combined financial statements were available to be issued.

2. INVENTORY - NET

At December 31, 2018 and 2017, inventory - net consisted of the following:

	<u>2018</u>	<u>2017</u>
Wholesale inventory		
Warehouse	\$ 59,675,310	\$ 55,129,808
Showroom	1,415,376	1,386,986
Production inventory		
Raw materials	8,815,117	4,415,021
Work in process	1,382,465	928,852
Finished goods	<u>1,313,730</u>	<u>1,190,890</u>
	72,601,998	63,051,557
Less: Reserve for obsolete and slow-moving inventory	<u>708,830</u>	<u>724,471</u>
	<u>\$ 71,893,168</u>	<u>\$ 62,327,086</u>

If the first-in, first-out method of accounting had been used for wholesale inventory, total inventory would have increased by approximately \$4,070,300 and \$2,309,200 at December 31, 2018 and 2017, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. DUE FROM AFFILIATES AND SHAREHOLDERS

At December 31, 2018 and 2017, due from affiliates and shareholders consisted of the following:

	<u>2018</u>	<u>2017</u>
Unsecured demand notes due from a shareholder bearing interest ranging from 1.2% to 9%	\$ 811,568	\$ 911,568
Unsecured note due from Famous Realty of Cleveland, Inc. in monthly interest-only payments at 1.47% with total outstanding principal and interest due on the earlier of demand date or December 2025	3,000,000	3,000,000
Unsecured notes due from a shareholder in monthly interest-only payments at 1.58% with total outstanding principal and interest due on the earlier of demand date or maturity (July and August 2024)	300,000	300,000
Unsecured note due from a shareholder in monthly interest-only payments at 1.43% with total outstanding principal and interest due on the earlier of demand date or July 2025	100,000	100,000
Unsecured note due from 886 East Midlothian Boulevard, LLC in monthly installments of \$2,867, including interest at 2.26%, with total outstanding principal and interest due on the earlier of demand date or February 2042	620,129	636,731
Unsecured note due from Famous Perkins Street, LLC in monthly installments of \$263, including interest at 2.75%, with total outstanding principal and interest due on the earlier of demand date or June 2042	57,845	57,898
Unsecured note due from a shareholder in monthly interest-only payments at 1.85%, repaid during 2018		100,308
Unsecured note due from 72 Hillis St., LLC bearing interest at the short-term applicable federal rate (2.09% - 2018, 1.12% - 2017) with outstanding interest and principal due on demand	83,270	83,270
Unsecured note due from 4300 Roberts Road, LLC in monthly interest-only payments at 1.75%; subordinate to the entity's bank debt, repaid during 2018		378,672
	4,972,812	5,568,447
Less: Current portion	22,286	23,917
	<u>\$ 4,950,526</u>	<u>\$ 5,544,530</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. DUE FROM AFFILIATES AND SHAREHOLDERS (Continued)

All unsecured demand notes and advances with no definitive repayment terms are not expected to be collected within twelve months of the combined balance sheet date and, accordingly, are classified as long-term in the accompanying combined financial statements.

Receivables from affiliates and shareholders are considered fully collectible based on an assessment of their current creditworthiness.

Total interest income earned on such notes and advances in 2018 and 2017 totaled approximately \$64,100 and \$76,000, respectively, and is included in other income – net on the combined statement of income and retained earnings.

4. INCOME TAXES

The income tax provision for 2018 and 2017 differed from expected amounts computed by applying the aggregate applicable statutory federal and state income tax rate for 2018 and 2017 to the income before taxes primarily as a result of nondeductible expenses and correction of the prior year provision, and for state purposes, the inclusion of net worth, income, and commercial activity taxes.

The components of the deferred tax assets and the deferred tax liabilities at December 31, 2018 and 2017, are as follows:

	2018	2017
Allowance method vs. direct write off of uncollectible accounts receivable	\$ 48,000	\$ 46,800
Inventory obsolescence reserve	182,000	173,900
Accrued payroll	19,000	15,600
Charitable contributions	269,000	
Capitalized inventory costs	<u>1,330,000</u>	<u>1,114,100</u>
Gross deferred tax assets	<u>1,848,000</u>	<u>1,350,400</u>
Book vs. tax LIFO valuation method	1,815,000	1,404,600
Property, plant, and equipment	2,846,000	2,086,500
Charitable contributions		200,500
Prepaid expenses		<u>84,100</u>
Gross deferred tax liabilities	<u>4,661,000</u>	<u>3,775,700</u>
Net deferred tax liability	<u>\$ 2,813,000</u>	<u>\$ 2,425,300</u>

5. LONG-TERM DEBT

At December 31, 2018 and 2017, the Group had a revolving credit and security agreement (the Agreement) with a bank. During 2018, the terms of the agreement were amended to increase maximum borrowings to \$71,000,000 through May 2023. Included in the maximum borrowings is a capital expenditure term note with availability as of December 31, 2018 and 2017, of \$3,000,000 for related entities. The amounts outstanding under the Agreement are collateralized by all of the assets of the Group. Borrowings under the Agreement include the following:

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. LONG-TERM DEBT (Continued)

Revolving credit facility with borrowings as of December 31, 2018 and 2017, limited to the lesser of \$68,000,000 or the sum of an eligible percentage of accounts receivable and an eligible percentage of inventory not to exceed \$45,000,000, as defined. The amount available under the credit facility is reduced by the aggregate amount of letters of credit outstanding. A portion of the loan bears interest at a floating rate equal to the prime rate (5.50% - 2018; 4.50% - 2017) plus the applicable margin rate of .25% and a portion bears interest at a fixed rate for periods of one, two, or three months equal to the one-month LIBOR rate (2.50% - 2018; 1.56% - 2017) plus the applicable margin rate of 1.25%. The effective rate on all borrowings under the revolving credit facility outstanding at December 31, 2018 and 2017, was 4.21% and 3.69%, respectively. In addition, a commitment fee in the range of .25% to .50% per annum is charged on the unused credit facility, payable monthly.

During 2018, the Company sold a portion of transportation equipment to a third party. In conjunction with this sale, the related term note was refinanced to include the third party as a co-borrower, responsible for 50% of the term note. The total outstanding balance, including amounts owed by the third party, was approximately \$3,212,000 as of December 31, 2018. The portion due from the Company is payable in monthly principal payments of \$10,497, plus interest at 2.57%, with a balloon payment of the remaining balance due September 2023. The note was made to finance the purchase of specific transportation equipment and is collateralized by the equipment, and is guaranteed by owners of the third party.

Long-term debt as of December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Revolving credit facility	\$ 60,900,948	\$ 47,974,512
Equipment term note	<u>1,606,010</u>	<u>3,423,077</u>
	62,506,958	51,397,589
Less: Current portion	<u>125,962</u>	<u>342,308</u>
	<u>\$ 62,380,996</u>	<u>\$ 51,055,281</u>

At December 31, 2018, future maturities of long-term debt are as follows:

2019	\$ 125,962
2020	125,962
2021	125,962
2022	125,962
2023	<u>62,003,110</u>
	<u>\$ 62,506,958</u>

The credit facility contains certain financial covenants which, among other things, limit the amount of capital expenditures and require the maintenance of a minimum quarterly fixed charge coverage ratio and quarterly/yearly minimum EBITDA, as defined.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. OBLIGATIONS UNDER CAPITAL LEASES

The Group has entered into agreements to lease certain machinery and transportation equipment from a bank that are classified as capitalized leases. Interest rates on these leases range from 2.72% to 3.48%. At December 31, 2018 and 2017, included in property, plant, and equipment is leased equipment with an aggregate cost totaling \$4,904,744 and \$3,931,502, respectively. Accumulated depreciation of assets under capitalized leases totaled \$1,104,885 and \$948,826 as of December 31, 2018 and 2017, respectively.

Future minimum lease payments required under the capitalized leases as of December 31, 2018, are as follows:

2019	\$ 1,648,567
2020	803,452
2021	<u>176,918</u>
Total minimum lease payments	2,628,937
Less: Amount representing interest	<u>93,862</u>
Present value of net minimum lease payments	2,535,075
Less: Current maturities of obligations under capital leases	<u>1,584,112</u>
Long-term obligations under capital leases	<u>\$ 950,963</u>

7. COMMON AND PREFERRED STOCK

Famous Enterprises, Inc.

During 2018, Famous Enterprises, Inc. amended its articles of incorporation to restructure its common stock. At December 31, 2018, there were 1,846.1 shares authorized, issued, and outstanding, consisting of 36.9 Class A common voting shares and 1,809.2 Class B common non-voting shares, each with no par value. Famous Enterprises, Inc. no longer has any preferred shares authorized.

At December 31, 2017, the capital structure for Famous Enterprises, Inc. consisted of the following:

Class A common shares - No par value. Authorized 2,000 shares; issued and outstanding 184.6 shares.

Class B common shares - No par value. Authorized 4,000 shares; issued and outstanding 1,661.5 shares.

Preferred stock - No par value. Authorized 1,000 shares; no shares issued or outstanding.

Applied Products

Common stock - No par value. \$5,000 stated value. Authorized, issued, and outstanding 500 shares.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. RETAINED EARNINGS

Retained earnings (deficit) as of December 31, 2018 and 2017, was comprised of the following:

	2018	2017
Famous Enterprises, Inc.	\$ 57,028,004	\$ 55,445,269
Applied Products	(684,774)	(684,774)
	<u>\$ 56,343,230</u>	<u>\$ 54,760,495</u>

9. COMMITMENTS AND CONTINGENCIES

Leases

Substantially all of the Group's sales and warehouse facilities not owned are leased from companies affiliated with the Group through common ownership. Famous Realty of Cleveland, Inc., Famous CDC, LLC, Famous Pittsburgh Properties, LP, Famous Management Services, Inc., Famous Call Center, LLC, 4300 Roberts Road, LLC, 2620 Ridgewood Road, LLC, 72 Hillis Street, LLC, and 886 East Midlothian Boulevard, LLC have agreements to lease various locations to the Group expiring from February 2020 through December 2034. The Group also leases certain sales and warehouse facilities from third parties under long-term operating leases and on a month-to-month basis. Minimum rent for each of these month-to-month agreements is based on the square footage used by the Group.

Future minimum lease commitments (excluding real estate taxes and rents based upon usage) for operating leases to affiliated companies and third parties at December 31, 2018, are as follows:

2019	\$ 4,063,700
2020	4,081,200
2021	3,970,000
2022	3,827,100
2023	2,225,900
Thereafter	<u>5,733,700</u>
	<u>\$ 23,901,600</u>

Rental expense incurred including real estate taxes and maintenance expenses under these arrangements was approximately \$5,527,000 and \$4,906,000 for 2018 and 2017, respectively. Of the total rent expense, \$4,057,000 and \$3,978,000 were expenses incurred with companies affiliated with the Group through common ownership for 2018 and 2017, respectively.

Guarantee

The Group guarantees notes due from Famous CDC, LLC, 72 Hillis Street LLC, 2620 Ridgewood LLC, and 4300 Roberts Road, LLC to two banks. Such guarantees were made to assist the related companies in obtaining credit. The term of the guarantees are for the term of the loans, which are due with varying payment terms through January 2028. The Group would be required to perform under the guarantees if the related parties defaulted on the loans. The maximum potential amount owed would be the balance of the loans plus accrued interest. The Group would expect the amount to be reduced by the proceeds of the sale of Famous CDC, LLC, 72 Hillis Street LLC, 2620 Ridgewood LLC, and 4300 Roberts Road, LLC's assets.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES (Continued)

Guarantee (continued)

The Group guarantees a note due from a shareholder to a former shareholder. The term of the guarantee is for the term of the loan, which is due with monthly principal and interest payments through March 2028. Payment of this note is accelerated upon the occurrence of the sale of substantially all of the Group's assets or stock to an unrelated third party.

The outstanding balance on the guaranteed notes amounted to approximately \$18,628,000 and \$11,114,000 at December 31, 2018 and 2017, respectively.

Litigation

In the ordinary course of business, the Group is subject to, or party to, pending or threatened litigation, assessments, and claims. While it is not possible to predict with certainty the outcome of such matters individually or in the aggregate, management believes that the ultimate result will not have a material adverse effect on the combined financial position or results of operations of the Group.

10. RETIREMENT PLANS

Defined Contribution Retirement Plan

The Group has defined contribution 401(k) savings plans available to substantially all of its employees. Contributions to non-union plans are discretionary and are generally determined based on a percentage of the covered employees' contributions. In 2018 and 2017, contributions to union employees were equal to 100% of eligible employee contributions, up to \$21 per week, as defined. The total expense for all contributions amounted to approximately \$299,000 and \$314,000 for 2018 and 2017, respectively.

Multi-Employer Defined Benefit Pension Plans

The Group contributes to two multi-employer defined benefit pension plans under the terms of the related collective bargaining union contracts (the Plans). The Group's contribution rate to the Plans is specified in the collective bargaining union contracts and contributions are made to the Plans based on its union employee payrolls. Under the Employee Retirement Income Security Act, the Group may be liable for their share of the Plans' unfunded liability upon withdrawal from or termination of the Plans. The Group has not recorded a withdrawal liability related to the Plans for the years ended December 31, 2018 and 2017, as withdrawal from the Plans is not probable.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10. RETIREMENT PLANS (Continued)

Multi-Employer Defined Benefit Pension Plans (continued)

The Pension Protection Act of 2006 (the PPA) added special funding and operational rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered”, “seriously endangered”, or “critical” status based on a multitude of factors (including, for example, the Plans’ funded percentage, cash flow position, and whether the Plans are projected to experience a minimum funding deficiency). Plans in the “endangered”, “seriously endangered”, or “critical” status classifications must adopt measures to improve their funded status through a funding improvement or rehabilitation plan, which may require additional contributions from employers (which may take the form of a surcharge on benefit contributions) and/or modifications to retiree benefits. The Plans to which the Group contributes are in “critical” status.

The following table contains a summary of plan information relating to the Group’s participation in the Plans. The most recent PPA zone status available relates to the Plans’ fiscal year-ends in 2017. Forms 5500 were not yet available for the Plans’ year ending in 2018. Although a multitude of factors or tests may result in red zone or yellow zone status, plans in the red zone generally are less than 65 percent funded, plans in the yellow zone are generally less than 80 percent funded, and plans in the green zone generally are at least 80 percent funded. The “FIP/RP” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Pension Fund	Employer Identification Number	PPA Zone Status		FIP/RP Status	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Contract
		2018	2017		2018	2017		
Central States, Southeast and Southwest Areas Pension Fund (Plan 001)	36-6044243	Red	Red	Implemented	\$ 31,392	\$ 39,157	Yes	Various, expiring through 2021
Southwestern PA and Western MD Area Teamsters and Employers Pension Fund (Plan 001)	25-1046087	Red	Red	Implemented	<u>8,887</u>	<u>11,190</u>	Yes	September 30, 2021
Total Contributions					<u>\$ 40,279</u>	<u>\$ 50,347</u>		



Famous Supply Group

Combined Financial Statements
December 31, 2018 and 2017

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FAMOUS SUPPLY GROUP
DECEMBER 31, 2018 AND 2017

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Independent Auditors' Report

Board of Directors
Famous Supply Group

We have audited the accompanying combined financial statements of Famous Supply Group, which comprise the combined balance sheet as of December 31, 2018 and 2017, and the related combined statements of income and retained earnings and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Famous Supply Group as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Cleveland, Ohio
April 23, 2019

COHEN & COMPANY, LTD.
800.229.1099 | 866.818.4538 fax | cohencpa.com

COMBINED BALANCE SHEET

DECEMBER 31, 2018 AND 2017

	2018	2017		2018	2017
ASSETS			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 4,214,546	\$ 2,121,968	Current portion of long-term debt	\$ 125,962	\$ 342,308
Trade accounts receivable - Net	43,870,663	40,610,504	Current portion of obligations under capitalized leases	1,584,112	1,296,979
Inventory - Net	71,893,168	62,327,086	Accounts payable	21,953,718	19,690,784
Due from affiliates and shareholders	22,286	23,917	Accrued expenses and other current liabilities	3,421,105	2,740,518
Prepaid expenses and other current assets	2,081,463	722,548		27,084,897	24,070,589
Refundable income taxes	1,209,891	1,175,113			
	<u>123,292,017</u>	<u>106,981,136</u>			
PROPERTY, PLANT, AND EQUIPMENT - AT COST			OBLIGATIONS UNDER CAPITALIZED LEASES	950,963	1,643,845
Land and improvements	165,289	165,289	LONG-TERM DEBT	62,380,996	51,055,281
Buildings and improvements	2,900,901	2,900,901	DEFERRED INCOME TAXES	2,813,000	2,425,300
Machinery and equipment	24,869,921	22,150,234	COMMITMENTS AND CONTINGENCIES		
Leasehold improvements	12,808,538	12,602,275			
Transportation equipment	12,749,938	14,191,235	SHAREHOLDERS' EQUITY		
Construction in progress	634,056	691,363			
	54,128,643	52,701,297	COMMON STOCK	215,000	215,000
Less: Accumulated depreciation	33,431,705	31,862,357	RETAINED EARNINGS	56,343,230	54,760,495
	<u>20,696,938</u>	<u>20,838,940</u>		56,558,230	54,975,495
OTHER ASSETS				<u>\$ 149,788,086</u>	<u>\$ 134,170,510</u>
Due from affiliates and shareholders	4,950,526	5,544,530			
Other	848,605	805,904			
	<u>5,799,131</u>	<u>6,350,434</u>			
	<u>\$ 149,788,086</u>	<u>\$ 134,170,510</u>			

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENT OF INCOME AND RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
NET SALES	\$ 336,252,368	\$ 311,137,249
COST OF SALES	<u>259,105,024</u>	<u>240,438,609</u>
GROSS PROFIT	77,147,344	70,698,640
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	<u>78,190,125</u>	<u>72,001,008</u>
OPERATING LOSS	<u>(1,042,781)</u>	<u>(1,302,368)</u>
OTHER INCOME (EXPENSE)		
Interest expense	(2,202,085)	(1,587,381)
Other income - Net	<u>5,727,271</u>	<u>4,601,884</u>
	<u>3,525,186</u>	<u>3,014,503</u>
INCOME BEFORE INCOME TAXES	<u>2,482,405</u>	<u>1,712,135</u>
INCOME TAX PROVISION (BENEFIT)		
Current		
Federal	15,124	226,285
State and local	496,846	570,603
Deferred	<u>387,700</u>	<u>(1,442,900)</u>
	<u>899,670</u>	<u>(646,012)</u>
NET INCOME	1,582,735	2,358,147
RETAINED EARNINGS - BEGINNING OF YEAR	<u>54,760,495</u>	<u>52,402,348</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 56,343,230</u>	<u>\$ 54,760,495</u>

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOW USED IN OPERATING ACTIVITIES		
Net income	\$ 1,582,735	\$ 2,358,147
Noncash items included in operations		
Depreciation	3,789,695	3,694,006
Gain on sale of property and equipment	(1,154,892)	(41,764)
Deferred income taxes	387,700	(1,442,900)
Increase (decrease) in cash caused by changes in current items		
Trade accounts receivable - Net	(3,260,159)	(3,460,099)
Inventory - Net	(9,566,082)	(5,572,878)
Prepaid expenses and other current assets	(1,358,915)	(250,822)
Refundable income taxes	(34,778)	(506,542)
Other assets	(42,701)	(40,290)
Accounts payable	2,262,934	(1,234,804)
Accrued expenses and other current liabilities	680,587	(461,796)
Net cash flow used in operations	<u>(6,713,876)</u>	<u>(6,959,742)</u>
CASH FLOW USED IN INVESTING ACTIVITIES		
Capital expenditures	(3,309,549)	(2,588,862)
Proceeds from sale of property and equipment	152,490	85,867
Repayments from affiliates and shareholders	595,635	391,955
Advances to affiliates and shareholders	<u>(2,561,424)</u>	<u>(158,206)</u>
	<u>(2,561,424)</u>	<u>(2,269,246)</u>
CASH FLOW PROVIDED FROM FINANCING ACTIVITIES		
Repayments on obligations under capitalized leases	(1,378,991)	(972,925)
Net borrowings on revolving credit facility	12,926,436	10,062,441
Repayments on term note	(179,567)	(344,556)
	<u>11,367,878</u>	<u>8,744,960</u>
NET INCREASE (DECREASE) IN CASH	2,092,578	(484,028)
CASH - BEGINNING OF YEAR	<u>2,121,968</u>	<u>2,605,996</u>
CASH - END OF YEAR	<u>\$ 4,214,546</u>	<u>\$ 2,121,968</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of equipment via capitalized lease	<u>\$ 973,242</u>	<u>\$ 1,437,260</u>
Sale of transportation equipment by transfer of debt	<u>\$ 1,637,500</u>	
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 2,165,235</u>	<u>\$ 1,487,885</u>
Taxes paid	<u>\$ 107,463</u>	<u>\$ 610,500</u>

The accompanying notes are an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Group operates primarily as a wholesale distributor of HVAC, plumbing, PVF, industrial, and building products, and to a lesser extent, as a manufacturer of ventilation products. The Group has 40 warehouses located primarily in the Midwest.

Approximately 9% of the Group's employees are subject to collective bargaining agreements, which expire at various times through 2021.

Principles of Combination

The combined financial statements include the accounts of Famous Enterprises, Inc. and its 100% owned subsidiaries (Famous Distribution, Famous Industries, and Famous Air) combined with Applied Products Company, Inc. (Applied Products) (collectively, Famous Supply Group or the Group) which are affiliated through common ownership and management. All intercompany balances and transactions have been eliminated in combination.

Revenue Recognition

Substantially all sales are recognized when products are shipped and title has passed to unaffiliated customers.

Cash

The Group held cash, with a bank, that exceeded the related federal deposit insurance. The Group has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on cash.

Receivables and Credit Policies

Trade accounts receivable are uncollateralized customer obligations generally due under normal trade terms requiring payment between 30 and 60 days from the invoice date. The Group generally collects receivables within 30 days, and may charge interest up to 24% on accounts receivable with invoice dates over 30 days old.

Accounts receivable are stated at the amount billed to the customer, plus any accrued and unpaid interest. Generally, interest continues to accrue on delinquent accounts until the account is identified as uncollectible at which time the account is placed on non-accrual status.

Certain past due customer accounts are converted to collateralized term notes, bearing interest at varying rates from 1.65% - 6%, with a majority due within twelve months and collateralized by property and personal guarantees of the obligor. Such amounts, including accrued interest, are included in trade accounts receivable – net and at December 31, 2018 and 2017, totaled approximately \$692,100 and \$479,900, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Credit Policies (continued)

The carrying amount of trade accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all trade accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining trade accounts receivable based on historical collectibility. When receivables are determined to be uncollectible, they are written off against the allowance for doubtful accounts. At December 31, 2018 and 2017, such allowance for doubtful accounts amounted to approximately \$190,000 and \$195,000, respectively.

Trade accounts receivable also include amounts due from vendors relating to rebates that were earned and unpaid at year-end.

Inventory

Wholesale inventory is stated at the lower of cost (last-in, first-out) or market. Production inventory is stated at the lower of cost (first-in, first-out) or net realizable value.

Depreciation

Depreciation of property, plant, and equipment is provided by use of the straight-line method over the following estimated useful lives of the assets:

Land improvements	20 years
Buildings and improvements	5 - 40 years
Machinery and equipment	3 - 10 years
Transportation equipment	3 - 5 years

Depreciation of leasehold improvements is provided over the lesser of the estimated useful lives of the respective assets or the lease term using the straight-line method.

Income Taxes

Income taxes have been provided using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the combined financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Group files a consolidated federal income tax return for Famous Enterprises, Inc. and its 100% owned subsidiaries and a separate federal income tax return for Applied Products.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for Uncertainty in Income Taxes

The Group recognizes and discloses uncertain tax positions in accordance with accounting principles generally accepted in the United States of America (GAAP). As of and during the years ended December 31, 2018 and 2017, the Group did not have a liability for unrecognized tax benefits.

Accounting Estimates

Management uses estimates and assumptions in preparing the combined financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Significant estimates include the Group's liability for self-insured medical insurance, self-insured workers' compensation costs, and the reserve for obsolete and slow-moving inventory. It is reasonably possible that changes in such estimates could occur in the near term.

Self-Insured Medical Insurance

The Group provides health insurance coverage for certain employees under its own partially self-insured plan. Medical expenses are accrued based on amounts required to settle known (reported) claims and estimated amounts required to satisfy claims incurred but not yet reported (IBNR claims). As of December 31, 2018 and 2017, the accompanying combined financial statements include an accrual of approximately \$447,200 and \$166,800, respectively, for reported and IBNR claims based on the Group's experience of the claims actually made.

Management believes that the liability for the partially self-funded medical coverage is adequate; however, the ultimate liability may vary from the amount provided. The methods for making such estimates and for establishing the liability are continually reviewed, and any adjustments are reflected in earnings in the period in which final adjustment occurs.

Shipping Costs

The Group records shipping and handling amounts billed to customers in net sales and costs related to shipping and handling in selling, general, and administrative expenses.

Other Income - Net

A substantial portion of other income in 2018 and 2017 resulted from discounts received from vendors for products purchased and in 2018 from the gain on sale of transportation equipment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

For the years ended December 31, 2018 and 2017, one customer accounted for approximately 14% and 13% of net sales, respectively. There were no concentrations in trade accounts receivable – net as of December 31, 2018 and 2017.

Common Control Leasing Arrangements

The Group has elected to use the GAAP private company common control leasing accounting alternative. In accordance with this alternative the Group does not evaluate entities with certain common control leasing arrangements to determine if they are variable interest entities for which the Group is the primary beneficiary. Instead, the Group discloses the leasing arrangements as required by the accounting alternative. See Note 9.

Subsequent Events

Management has evaluated subsequent events through April 23, 2019, the date the combined financial statements were available to be issued.

2. INVENTORY - NET

At December 31, 2018 and 2017, inventory - net consisted of the following:

	<u>2018</u>	<u>2017</u>
Wholesale inventory		
Warehouse	\$ 59,675,310	\$ 55,129,808
Showroom	1,415,376	1,386,986
Production inventory		
Raw materials	8,815,117	4,415,021
Work in process	1,382,465	928,852
Finished goods	<u>1,313,730</u>	<u>1,190,890</u>
	72,601,998	63,051,557
Less: Reserve for obsolete and slow-moving inventory	<u>708,830</u>	<u>724,471</u>
	<u>\$ 71,893,168</u>	<u>\$ 62,327,086</u>

If the first-in, first-out method of accounting had been used for wholesale inventory, total inventory would have increased by approximately \$4,070,300 and \$2,309,200 at December 31, 2018 and 2017, respectively.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. DUE FROM AFFILIATES AND SHAREHOLDERS

At December 31, 2018 and 2017, due from affiliates and shareholders consisted of the following:

	<u>2018</u>	<u>2017</u>
Unsecured demand notes due from a shareholder bearing interest ranging from 1.2% to 9%	\$ 811,568	\$ 911,568
Unsecured note due from Famous Realty of Cleveland, Inc. in monthly interest-only payments at 1.47% with total outstanding principal and interest due on the earlier of demand date or December 2025	3,000,000	3,000,000
Unsecured notes due from a shareholder in monthly interest-only payments at 1.58% with total outstanding principal and interest due on the earlier of demand date or maturity (July and August 2024)	300,000	300,000
Unsecured note due from a shareholder in monthly interest-only payments at 1.43% with total outstanding principal and interest due on the earlier of demand date or July 2025	100,000	100,000
Unsecured note due from 886 East Midlothian Boulevard, LLC in monthly installments of \$2,867, including interest at 2.26%, with total outstanding principal and interest due on the earlier of demand date or February 2042	620,129	636,731
Unsecured note due from Famous Perkins Street, LLC in monthly installments of \$263, including interest at 2.75%, with total outstanding principal and interest due on the earlier of demand date or June 2042	57,845	57,898
Unsecured note due from a shareholder in monthly interest-only payments at 1.85%, repaid during 2018		100,308
Unsecured note due from 72 Hillis St., LLC bearing interest at the short-term applicable federal rate (2.09% - 2018, 1.12% - 2017) with outstanding interest and principal due on demand	83,270	83,270
Unsecured note due from 4300 Roberts Road, LLC in monthly interest-only payments at 1.75%; subordinate to the entity's bank debt, repaid during 2018		378,672
	4,972,812	5,568,447
Less: Current portion	22,286	23,917
	<u>\$ 4,950,526</u>	<u>\$ 5,544,530</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. DUE FROM AFFILIATES AND SHAREHOLDERS (Continued)

All unsecured demand notes and advances with no definitive repayment terms are not expected to be collected within twelve months of the combined balance sheet date and, accordingly, are classified as long-term in the accompanying combined financial statements.

Receivables from affiliates and shareholders are considered fully collectible based on an assessment of their current creditworthiness.

Total interest income earned on such notes and advances in 2018 and 2017 totaled approximately \$64,100 and \$76,000, respectively, and is included in other income – net on the combined statement of income and retained earnings.

4. INCOME TAXES

The income tax provision for 2018 and 2017 differed from expected amounts computed by applying the aggregate applicable statutory federal and state income tax rate for 2018 and 2017 to the income before taxes primarily as a result of nondeductible expenses and correction of the prior year provision, and for state purposes, the inclusion of net worth, income, and commercial activity taxes.

The components of the deferred tax assets and the deferred tax liabilities at December 31, 2018 and 2017, are as follows:

	2018	2017
Allowance method vs. direct write off of uncollectible accounts receivable	\$ 48,000	\$ 46,800
Inventory obsolescence reserve	182,000	173,900
Accrued payroll	19,000	15,600
Charitable contributions	269,000	
Capitalized inventory costs	<u>1,330,000</u>	<u>1,114,100</u>
Gross deferred tax assets	<u>1,848,000</u>	<u>1,350,400</u>
Book vs. tax LIFO valuation method	1,815,000	1,404,600
Property, plant, and equipment	2,846,000	2,086,500
Charitable contributions		200,500
Prepaid expenses		<u>84,100</u>
Gross deferred tax liabilities	<u>4,661,000</u>	<u>3,775,700</u>
Net deferred tax liability	<u>\$ 2,813,000</u>	<u>\$ 2,425,300</u>

5. LONG-TERM DEBT

At December 31, 2018 and 2017, the Group had a revolving credit and security agreement (the Agreement) with a bank. During 2018, the terms of the agreement were amended to increase maximum borrowings to \$71,000,000 through May 2023. Included in the maximum borrowings is a capital expenditure term note with availability as of December 31, 2018 and 2017, of \$3,000,000 for related entities. The amounts outstanding under the Agreement are collateralized by all of the assets of the Group. Borrowings under the Agreement include the following:

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. LONG-TERM DEBT (Continued)

Revolving credit facility with borrowings as of December 31, 2018 and 2017, limited to the lesser of \$68,000,000 or the sum of an eligible percentage of accounts receivable and an eligible percentage of inventory not to exceed \$45,000,000, as defined. The amount available under the credit facility is reduced by the aggregate amount of letters of credit outstanding. A portion of the loan bears interest at a floating rate equal to the prime rate (5.50% - 2018; 4.50% - 2017) plus the applicable margin rate of .25% and a portion bears interest at a fixed rate for periods of one, two, or three months equal to the one-month LIBOR rate (2.50% - 2018; 1.56% - 2017) plus the applicable margin rate of 1.25%. The effective rate on all borrowings under the revolving credit facility outstanding at December 31, 2018 and 2017, was 4.21% and 3.69%, respectively. In addition, a commitment fee in the range of .25% to .50% per annum is charged on the unused credit facility, payable monthly.

During 2018, the Company sold a portion of transportation equipment to a third party. In conjunction with this sale, the related term note was refinanced to include the third party as a co-borrower, responsible for 50% of the term note. The total outstanding balance, including amounts owed by the third party, was approximately \$3,212,000 as of December 31, 2018. The portion due from the Company is payable in monthly principal payments of \$10,497, plus interest at 2.57%, with a balloon payment of the remaining balance due September 2023. The note was made to finance the purchase of specific transportation equipment and is collateralized by the equipment, and is guaranteed by owners of the third party.

Long-term debt as of December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Revolving credit facility	\$ 60,900,948	\$ 47,974,512
Equipment term note	<u>1,606,010</u>	<u>3,423,077</u>
	62,506,958	51,397,589
Less: Current portion	<u>125,962</u>	<u>342,308</u>
	<u>\$ 62,380,996</u>	<u>\$ 51,055,281</u>

At December 31, 2018, future maturities of long-term debt are as follows:

2019	\$ 125,962
2020	125,962
2021	125,962
2022	125,962
2023	<u>62,003,110</u>
	<u>\$ 62,506,958</u>

The credit facility contains certain financial covenants which, among other things, limit the amount of capital expenditures and require the maintenance of a minimum quarterly fixed charge coverage ratio and quarterly/yearly minimum EBITDA, as defined.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6. OBLIGATIONS UNDER CAPITAL LEASES

The Group has entered into agreements to lease certain machinery and transportation equipment from a bank that are classified as capitalized leases. Interest rates on these leases range from 2.72% to 3.48%. At December 31, 2018 and 2017, included in property, plant, and equipment is leased equipment with an aggregate cost totaling \$4,904,744 and \$3,931,502, respectively. Accumulated depreciation of assets under capitalized leases totaled \$1,104,885 and \$948,826 as of December 31, 2018 and 2017, respectively.

Future minimum lease payments required under the capitalized leases as of December 31, 2018, are as follows:

2019	\$ 1,648,567
2020	803,452
2021	<u>176,918</u>
Total minimum lease payments	2,628,937
Less: Amount representing interest	<u>93,862</u>
Present value of net minimum lease payments	2,535,075
Less: Current maturities of obligations under capital leases	<u>1,584,112</u>
Long-term obligations under capital leases	<u>\$ 950,963</u>

7. COMMON AND PREFERRED STOCK

Famous Enterprises, Inc.

During 2018, Famous Enterprises, Inc. amended its articles of incorporation to restructure its common stock. At December 31, 2018, there were 1,846.1 shares authorized, issued, and outstanding, consisting of 36.9 Class A common voting shares and 1,809.2 Class B common non-voting shares, each with no par value. Famous Enterprises, Inc. no longer has any preferred shares authorized.

At December 31, 2017, the capital structure for Famous Enterprises, Inc. consisted of the following:

Class A common shares - No par value. Authorized 2,000 shares; issued and outstanding 184.6 shares.

Class B common shares - No par value. Authorized 4,000 shares; issued and outstanding 1,661.5 shares.

Preferred stock - No par value. Authorized 1,000 shares; no shares issued or outstanding.

Applied Products

Common stock - No par value. \$5,000 stated value. Authorized, issued, and outstanding 500 shares.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. RETAINED EARNINGS

Retained earnings (deficit) as of December 31, 2018 and 2017, was comprised of the following:

	2018	2017
Famous Enterprises, Inc.	\$ 57,028,004	\$ 55,445,269
Applied Products	(684,774)	(684,774)
	<u>\$ 56,343,230</u>	<u>\$ 54,760,495</u>

9. COMMITMENTS AND CONTINGENCIES

Leases

Substantially all of the Group's sales and warehouse facilities not owned are leased from companies affiliated with the Group through common ownership. Famous Realty of Cleveland, Inc., Famous CDC, LLC, Famous Pittsburgh Properties, LP, Famous Management Services, Inc., Famous Call Center, LLC, 4300 Roberts Road, LLC, 2620 Ridgewood Road, LLC, 72 Hillis Street, LLC, and 886 East Midlothian Boulevard, LLC have agreements to lease various locations to the Group expiring from February 2020 through December 2034. The Group also leases certain sales and warehouse facilities from third parties under long-term operating leases and on a month-to-month basis. Minimum rent for each of these month-to-month agreements is based on the square footage used by the Group.

Future minimum lease commitments (excluding real estate taxes and rents based upon usage) for operating leases to affiliated companies and third parties at December 31, 2018, are as follows:

2019	\$ 4,063,700
2020	4,081,200
2021	3,970,000
2022	3,827,100
2023	2,225,900
Thereafter	<u>5,733,700</u>
	<u>\$ 23,901,600</u>

Rental expense incurred including real estate taxes and maintenance expenses under these arrangements was approximately \$5,527,000 and \$4,906,000 for 2018 and 2017, respectively. Of the total rent expense, \$4,057,000 and \$3,978,000 were expenses incurred with companies affiliated with the Group through common ownership for 2018 and 2017, respectively.

Guarantee

The Group guarantees notes due from Famous CDC, LLC, 72 Hillis Street LLC, 2620 Ridgewood LLC, and 4300 Roberts Road, LLC to two banks. Such guarantees were made to assist the related companies in obtaining credit. The term of the guarantees are for the term of the loans, which are due with varying payment terms through January 2028. The Group would be required to perform under the guarantees if the related parties defaulted on the loans. The maximum potential amount owed would be the balance of the loans plus accrued interest. The Group would expect the amount to be reduced by the proceeds of the sale of Famous CDC, LLC, 72 Hillis Street LLC, 2620 Ridgewood LLC, and 4300 Roberts Road, LLC's assets.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES (Continued)

Guarantee (continued)

The Group guarantees a note due from a shareholder to a former shareholder. The term of the guarantee is for the term of the loan, which is due with monthly principal and interest payments through March 2028. Payment of this note is accelerated upon the occurrence of the sale of substantially all of the Group's assets or stock to an unrelated third party.

The outstanding balance on the guaranteed notes amounted to approximately \$18,628,000 and \$11,114,000 at December 31, 2018 and 2017, respectively.

Litigation

In the ordinary course of business, the Group is subject to, or party to, pending or threatened litigation, assessments, and claims. While it is not possible to predict with certainty the outcome of such matters individually or in the aggregate, management believes that the ultimate result will not have a material adverse effect on the combined financial position or results of operations of the Group.

10. RETIREMENT PLANS

Defined Contribution Retirement Plan

The Group has defined contribution 401(k) savings plans available to substantially all of its employees. Contributions to non-union plans are discretionary and are generally determined based on a percentage of the covered employees' contributions. In 2018 and 2017, contributions to union employees were equal to 100% of eligible employee contributions, up to \$21 per week, as defined. The total expense for all contributions amounted to approximately \$299,000 and \$314,000 for 2018 and 2017, respectively.

Multi-Employer Defined Benefit Pension Plans

The Group contributes to two multi-employer defined benefit pension plans under the terms of the related collective bargaining union contracts (the Plans). The Group's contribution rate to the Plans is specified in the collective bargaining union contracts and contributions are made to the Plans based on its union employee payrolls. Under the Employee Retirement Income Security Act, the Group may be liable for their share of the Plans' unfunded liability upon withdrawal from or termination of the Plans. The Group has not recorded a withdrawal liability related to the Plans for the years ended December 31, 2018 and 2017, as withdrawal from the Plans is not probable.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10. RETIREMENT PLANS (Continued)

Multi-Employer Defined Benefit Pension Plans (continued)

The Pension Protection Act of 2006 (the PPA) added special funding and operational rules generally applicable to plan years beginning after 2007 for multi-employer plans that are classified as “endangered”, “seriously endangered”, or “critical” status based on a multitude of factors (including, for example, the Plans’ funded percentage, cash flow position, and whether the Plans are projected to experience a minimum funding deficiency). Plans in the “endangered”, “seriously endangered”, or “critical” status classifications must adopt measures to improve their funded status through a funding improvement or rehabilitation plan, which may require additional contributions from employers (which may take the form of a surcharge on benefit contributions) and/or modifications to retiree benefits. The Plans to which the Group contributes are in “critical” status.

The following table contains a summary of plan information relating to the Group’s participation in the Plans. The most recent PPA zone status available relates to the Plans’ fiscal year-ends in 2017. Forms 5500 were not yet available for the Plans’ year ending in 2018. Although a multitude of factors or tests may result in red zone or yellow zone status, plans in the red zone generally are less than 65 percent funded, plans in the yellow zone are generally less than 80 percent funded, and plans in the green zone generally are at least 80 percent funded. The “FIP/RP” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Pension Fund	Employer Identification Number	PPA Zone Status		FIP/RP Status	Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Contract
		2018	2017		2018	2017		
Central States, Southeast and Southwest Areas Pension Fund (Plan 001)	36-6044243	Red	Red	Implemented	\$ 31,392	\$ 39,157	Yes	Various, expiring through 2021
Southwestern PA and Western MD Area Teamsters and Employers Pension Fund (Plan 001)	25-1046087	Red	Red	Implemented	<u>8,887</u>	<u>11,190</u>	Yes	September 30, 2021
Total Contributions					<u>\$ 40,279</u>	<u>\$ 50,347</u>		