

Form 5500-SF Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Short Form Annual Return/Report of Small Employee Benefit Plan This form is required to be filed 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-SF.	OMB Nos. 1210-0110 1210-0089 2021 This Form is Open to Public Inspection
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Part I Annual Report Identification Information	
For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>	
A This return/report is for:	☐ a single-employer plan ☒ a multiple-employer plan (not multiemployer) (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)
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 Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ DFVC program ☐ special extension (enter description)
D If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. ☐	

Part II Basic Plan Information —enter all requested information													
1a Name of plan <u>ATLANTIC SQUARED SUPPLY, LLC 401K PROFIT SHARING PLAN</u>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">1b Three-digit plan number (PN) ▶</td> <td style="width:40%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>04/01/1985</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>04/01/1985</u>									
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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>ATLANTIC SQUARED SUPPLY LLC</u> <u>916 BROADWAY ROAD PO BOX 2580</u> <u>SANFORD, NC 27331-2580</u>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">2b Employer Identification Number (EIN) <u>86-2655577</u></td> <td style="width:40%;"></td> </tr> <tr> <td>2c Sponsor's telephone number <u>919-776-0721</u></td> <td></td> </tr> <tr> <td>2d Business code (see instructions) <u>423300</u></td> <td></td> </tr> </table>	2b Employer Identification Number (EIN) <u>86-2655577</u>		2c Sponsor's telephone number <u>919-776-0721</u>		2d Business code (see instructions) <u>423300</u>							
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2d Business code (see instructions) <u>423300</u>													
3a Plan administrator's name and address ☒ Same as Plan Sponsor.	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">3b Administrator's EIN</td> <td style="width:40%;"></td> </tr> <tr> <td>3c Administrator's telephone number</td> <td></td> </tr> </table>	3b Administrator's EIN		3c Administrator's telephone number									
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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 <u>CAROLINA ATLANTIC ROOFING SUPPLY, LLC</u> c Plan Name <u>CAROLINA ATLANTIC ROOFING SUPPLY LLC 401K PS PLAN</u>	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">4b EIN <u>83-3920531</u></td> <td style="width:40%;"></td> </tr> <tr> <td>4d PN <u>001</u></td> <td></td> </tr> </table>	4b EIN <u>83-3920531</u>		4d PN <u>001</u>									
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4d PN <u>001</u>													
5a Total number of participants at the beginning of the plan year b Total number of participants at the end of the plan year c Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item)..... d(1) Total number of active participants at the beginning of the plan year d(2) Total number of active participants at the end of the plan year e Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:60%;">5a</td> <td style="width:40%; text-align: center;"><u>63</u></td> </tr> <tr> <td>5b</td> <td style="text-align: center;"><u>195</u></td> </tr> <tr> <td>5c</td> <td style="text-align: center;"><u>137</u></td> </tr> <tr> <td>5d(1)</td> <td style="text-align: center;"><u>47</u></td> </tr> <tr> <td>5d(2)</td> <td style="text-align: center;"><u>175</u></td> </tr> <tr> <td>5e</td> <td style="text-align: center;"><u>8</u></td> </tr> </table>	5a	<u>63</u>	5b	<u>195</u>	5c	<u>137</u>	5d(1)	<u>47</u>	5d(2)	<u>175</u>	5e	<u>8</u>
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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, if applicable, a Schedule SB or Schedule MB completed and signed by an enrolled actuary, 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.	05/09/2023	LAURA BRUCE
	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

- 6a** Were all of the plan's assets during the plan year invested in eligible assets? (See instructions.)..... ☒ Yes ☐ No
- b** Are you claiming a waiver of the annual examination and report of an independent qualified public accountant (IQPA) under 29 CFR 2520.104-46? (See instructions on waiver eligibility and conditions.)..... ☒ Yes ☐ No
- If you answered "No" to either line 6a or line 6b, the plan cannot use Form 5500-SF and must instead use Form 5500.**
- c** 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.)

Part III Financial Information

7 Plan Assets and Liabilities		(a) Beginning of Year	(b) End of Year
a Total plan assets	7a	2654247	6433069
b Total plan liabilities	7b		
c Net plan assets (subtract line 7b from line 7a)	7c	2654247	6433069
8 Income, Expenses, and Transfers for this Plan Year		(a) Amount	(b) Total
a Contributions received or receivable from:			
(1) Employers	8a(1)	187205	
(2) Participants	8a(2)	312653	
(3) Others (including rollovers)	8a(3)	1103557	
b Other income (loss)	8b	503585	
c Total income (add lines 8a(1), 8a(2), 8a(3), and 8b)	8c		2107000
d Benefits paid (including direct rollovers and insurance premiums to provide benefits)	8d	383178	
e Certain deemed and/or corrective distributions (see instructions) .	8e		
f Administrative service providers (salaries, fees, commissions)	8f	916	
g Other expenses	8g		
h Total expenses (add lines 8d, 8e, 8f, and 8g)	8h		384094
i Net income (loss) (subtract line 8h from line 8c)	8i		1722906
j Transfers to (from) the plan (see instructions)	8j	2055916	

Part IV Plan Characteristics

- 9a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2E 2F 2G 2J 2K 2S 2T 3D 3H
- b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

Part V Compliance Questions

10 During the plan year:		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? (See instructions and DOL's Voluntary Fiduciary Correction Program)	10a		X	
b Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 10a.)	10b		X	
c Was the plan covered by a fidelity bond?	10c	X		300000
d Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	10d		X	
e Were any fees or commissions paid to any brokers, agents, or other persons by an insurance carrier, insurance service, or other organization that provides some or all of the benefits under the plan? (See instructions.)	10e	X		12483
f Has the plan failed to provide any benefit when due under the plan?	10f		X	
g Did the plan have any participant loans? (If "Yes," enter amount as of year-end.)	10g	X		17913
h If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	10h		X	
i If 10h was answered "Yes," check the box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3	10i			

Part VI Pension Funding Compliance

11 Is this a defined benefit plan subject to minimum funding requirements? (If "Yes," see instructions and complete Schedule SB (Form 5500) and lines 11a and b below.) If this is a defined contribution pension plan, leave line 11 blank and complete line 12 below..... ☐ Yes ☒ No

a Enter the unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40..... **11a**

b **PBGC missed contribution reporting requirements.** If the plan is covered by PBGC and the amount reported on line 11a is greater than \$0, has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

- ☐ Yes.
- ☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.
- ☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.
- ☐ No. Other. Provide explanation _____

12 Is this a defined contribution plan subject to the minimum funding requirements of section 412 of the Code or section 302 of ERISA? ☐ Yes ☒ No
(If "Yes," complete line 12a or lines 12b, 12c, 12d, and 12e below, as applicable.) If this is a defined benefit pension plan, leave line 12 blank and complete line 11 above.

a 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 letter ruling granting the waiver. Month _____ Day _____ Year _____

If you completed line 12a, complete lines 3, 9, and 10 of Schedule MB (Form 5500), and skip to line 13.

b Enter the minimum required contribution for this plan year **12b**

c Enter the amount contributed by the employer to the plan for this plan year **12c**

d Subtract the amount in line 12c from the amount in line 12b. Enter the result (enter a minus sign to the left of a negative amount) **12d**

e Will the minimum funding amount reported on line 12d be met by the funding deadline?..... ☐ Yes ☐ No ☐ N/A

Part VII Plan Terminations and Transfers of Assets

13a Has a resolution to terminate the plan been adopted in any plan year? ☐ Yes ☒ No

If "Yes," enter the amount of any plan assets that reverted to the employer this year..... **13a**

b Were all the plan assets distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? ☐ Yes ☒ No

c 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.)

13c(1) Name of plan(s):	13c(2) EIN(s)	13c(3) PN(s)



**ATLANTIC SQUARED SUPPLY LLC
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**Period of May 24, 2021 (Commencement Date)
through December 31, 2021**

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

**May 24, 2021 (Commencement Date)
through December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Members
Atlantic Squared Supply LLC and Subsidiaries
Cumming, Georgia

Opinion

We have audited the accompanying consolidated financial statements of Atlantic Squared Supply LLC and Subsidiaries ("the Company"), which comprise the consolidated balance sheet, as of December 31, 2021, and the related consolidated statements of operations, members' equity, and cash flows, for the period of May 24, 2021 (commencement date) through December 31, 2021, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company, as of December 31, 2021, and the results of its operations and its cash flows for the period then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*** section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information in Schedules 1 through 4 is presented for the purpose of additional analysis of the consolidated financial statements and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

DMIPS PLLC

Certified Public Accountants
Sanford, North Carolina

July 11, 2022

**ATLANTIC SQUARED SUPPLY LLC
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**Period of May 24, 2021 (Commencement Date)
through December 31, 2021**

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 2021

ASSETS

Current Assets

Cash	\$ 1,790,481
Accounts receivable:	
Trade, net of allowance for doubtful accounts of \$805,174	49,495,666
Vendor rebates	16,854,214
Other	683
Inventory, net of reserve for obsolescence of \$1,120,517	45,152,983
Prepaid expenses	573,294

Total Current Assets	113,867,321
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Property and Equipment, net

10,690,922

Other Assets

Goodwill, net of accumulated amortization of \$7,276,536	112,006,358
Trade name, net of accumulated amortization of \$1,489,854	24,410,146
Investment—other	62,062

Total Other Assets	136,478,566
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Total Assets	\$ 261,036,809
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LIABILITIES AND MEMBERS' EQUITY

Current Liabilities

Current portion of long-term debt	\$ 10,380,233
Current portion of lease liability	26,294
Trade accounts payable	51,673,014
Customer rebates	1,851,526
Accrued expenses and other liabilities	3,736,009

Total Current Liabilities	67,667,076
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Long-Term Debt

Line of credit	18,473,696
Lease liability	432,011
Long-term debt, net of unamortized debt issuance costs	88,105,000

Total Long-Term Liabilities	107,010,707
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Total Liabilities	174,677,783
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Members' Equity

Retained earnings	3,618,703
Additional paid-in capital	58,327,995

Total Members' Equity	61,946,698
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Noncontrolling Interest

24,412,328

Total Equity	86,359,026
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Total Liabilities and Members' Equity	\$ 261,036,809
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See auditor's report and notes to consolidated financial statements.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

Period of May 24, 2021 (Commencement Date) through December 31, 2021

Sales	\$233,910,030
Cost of Sales	<u>188,104,500</u>
Gross Profit	45,805,530
Selling, Administrative, and General Expenses	<u>35,426,159</u>
Income from Operations	<u>10,379,371</u>
Other Income (Expense)	
Interest expense	(4,734,240)
Gain on disposal of property and equipment	12,884
Other income	<u>664,117</u>
Total Other Income (Expense)	<u>(4,057,239)</u>
Net Income before Noncontrolling Interest	6,322,132
Earnings Attributable to Noncontrolling Interest	<u>894,339</u>
Net Income	<u><u>\$ 5,427,793</u></u>

See auditor's report and notes to consolidated financial statements.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

Period of May 24, 2021 (Commencement Date) through December 31, 2021

	Additional Paid-In Capital	Retained Earnings	Noncontrolling Interest	Total
Balance, May 24, 2021	\$ -	\$ -	\$ -	\$ -
Member contributions	58,327,995	-	26,118,730	84,446,725
Member distributions	-	(1,809,090)	(2,600,741)	(4,409,831)
Net income	-	5,427,793	894,339	6,322,132
Balance, December 31, 2021	<u>\$ 58,327,995</u>	<u>\$ 3,618,703</u>	<u>\$ 24,412,328</u>	<u>\$ 86,359,026</u>

See auditor's report and notes to consolidated financial statements.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Period of May 24, 2021 (Commencement Date) through December 31, 2021

Cash Flows from Operating Activities

Net income	\$ 6,322,132
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	1,396,054
Amortization	8,775,819
Allowance for doubtful accounts	329,748
Reserve for inventory obsolescence	153,509
Gain on disposal of property and equipment	(12,884)
(Increase) decrease in operating assets:	
Accounts receivable - trade	(7,024,490)
Accounts receivable - vendors	(9,387,658)
Accounts receivable - other	8,780
Inventory	(11,780,347)
Prepaid expenses	50,912
Increase (decrease) in operating liabilities:	
Trade accounts payable	(4,596,817)
Customer rebates	977,944
Accrued expenses and other liabilities	2,768,082

Net Cash Used in Operating Activities(12,019,216)**Cash Flows from Investing Activities**

Acquisitions, net of cash acquired	8,337,097
Investment—other	196,683
Purchase of property and equipment	(3,304,091)
Proceeds from sale of property and equipment	17,508

Net Cash Provided by Investing Activities5,247,197**Cash Flows from Financing Activities**

Payments on long-term debt	(995,647)
Distributions to members	(4,401,177)
Contributions from members	75,000
Increase in line of credit	13,901,336
Payments on lease liability	(17,012)

Net Cash Provided by Financing Activities8,562,500**Net Increase in Cash**

1,790,481

Cash, beginning-**Cash, ending**\$ 1,790,481

See auditor's report and notes to consolidated financial statements.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Period of May 24, 2021 (Commencement Date) through December 31, 2021

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	\$ 4,078,621
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Supplemental Disclosures of Noncash Investing and Financing Activities

Distributions declared	\$ (4,409,831)
Distributions payable at period end	8,654

Cash paid for distributions	\$ (4,401,177)
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Acquisition of property and equipment during the period	\$ (3,939,870)
Property and equipment acquired through long-term debt	508,623
Construction in process acquired through long-term debt	127,156

Cash paid for purchase of property and equipment	\$ (3,304,091)
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Assets and liabilities assumed and/or acquired at reorganization (see Note 11):

Goodwill acquired through reorganization	\$ 119,282,894
Trade name acquired through reorganization	25,900,000
Accounts receivable-trade acquired through reorganization	42,800,924
Accounts receivable-vendors acquired through reorganization	7,466,556
Accounts receivable-other acquired through reorganization	9,463
Inventory acquired through reorganization	33,526,145
Prepaid expenses acquired through reorganization	624,206
Property and equipment acquired through reorganization	8,151,730
Investment-other acquired through reorganization	258,745
Long-term debt acquired and assumed through reorganization	(98,963,980)
Line of credit acquired and assumed through reorganization	(4,572,360)
Lease liability assumed through reorganization	(475,317)
Trade accounts payable assumed through reorganization	(56,141,523)
Customer rebates assumed through reorganization	(873,582)
Accrued expenses and other liabilities assumed through reorganization	(959,273)
Equity from reorganization	(84,371,725)

Cash assumed and/or received at reorganization	\$ (8,337,097)
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Reductions on long-term debt during the period	\$ (1,123,955)
Holdback adjustments to long-term debt	128,308

Cash payments for long-term debt	\$ (995,647)
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See auditor's report and notes to consolidated financial statements.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****May 24, 2021 (Commencement Date) through December 31, 2021****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Principles of Consolidation**

Atlantic Squared Supply LLC (“ASquared”) was formed as a limited liability company under the laws of the state of Georgia on March 9, 2021. ASquared was formed as a management company to manage its subsidiaries, which are all majority-owned by ASquared. On May 21, 2021, ASquared entered into a reorganization agreement in which it became the majority owner of CARS, CARS GA, CARS SC, CARS SW, MRS SC, MARS CH, MARS TN, MARS NC, and MARS RA, as described below (see Note 11). Through the reorganization, the majority interests of each of the entities above were purchased by Atlantic Squared Supply Intermediary, LLC, and all of the equity interests owned by Atlantic Squared Supply Intermediary, LLC were then immediately contributed to ASquared. On May 24, 2021, ASquared commenced operations under the new legal entity structure. Additionally, on September 3, 2021, MARS JAX was formed as a wholly-owned subsidiary of ASquared.

The accompanying consolidated financial statements include the accounts of ASquared and all of its subsidiaries, which are majority-owned by ASquared. All significant intercompany accounts and transactions have been eliminated in consolidation. Collectively, these entities are referred to as “the Company.”

Carolina Atlantic Roofing Supply, LLC (“CARS”) was formed as a limited liability company under the laws of the state of Georgia on March 7, 2019. CARS is a two (2)-step wholesale distributor of building supplies throughout the Southeast. CARS has warehouses in Sanford, North Carolina and Greenville, South Carolina. CARS was acquired by ASquared through the reorganization on May 21, 2021.

Carolina Atlantic Roofing Supply Georgia, LLC (“CARS GA”) was formed as a limited liability company under the laws of the state of Georgia on April 27, 2020. CARS GA is a two (2)-step wholesale distributor of building supplies throughout the Southeast. CARS GA has a warehouse in Baxley, Georgia. CARS GA was acquired by ASquared through the reorganization on May 21, 2021.

Carolina Atlantic Roofing Supply South Central, LLC (“CARS SC”) was formed as a limited liability company under the laws of the state of Georgia on January 27, 2020. CARS SC is a two (2)-step wholesale distributor of building supplies throughout the Southeast. CARS SC has warehouses in Biloxi and Pearl, Mississippi; Freeport, Florida; and Calhoun, Georgia. CARS SC was acquired by ASquared through the reorganization on May 21, 2021.

Carolina Atlantic Roofing Supply Southwest, LLC (“CARS SW”) was formed as a limited liability company under the laws of the state of Texas on January 24, 2020. CARS SW is a two (2)-step wholesale distributor of building supplies throughout the Southeast. CARS SW has a warehouse in Rice, Texas. CARS SW was acquired by ASquared through the reorganization on May 21, 2021.

Metal Roofing System SC, LLC (“MRS SC”) was formed as a limited liability company under the laws of the state of Georgia on December 31, 2020. MRS SC is a manufacturer of metal roofing systems. MRS SC has a warehouse in Pearl, Mississippi. MRS SC was acquired by ASquared through the reorganization on May 21, 2021.

Mid-Atlantic Roofing Supply of Charlotte, LLC (“MARS CH”) was formed as a limited liability company under the laws of the state of North Carolina on May 19, 2021. MARS CH provides roofing products to contractors, home builders, and other customers. MARS CH has warehouses in Denver, North Carolina and Conway, South Carolina. MARS CH was created to acquire Mid-Atlantic Roofing Supply of Charlotte, LLC through the reorganization on May 21, 2021.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****May 24, 2021 (Commencement Date) through December 31, 2021****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]*****Principles of Consolidation *[cont'd]***

Mid-Atlantic Roofing Supply, LLC (“MARS TN”) was formed as a limited liability company under the laws of the state of Tennessee on May 19, 2021. MARS TN provides roofing products to contractors, home builders, and other customers. MARS TN has warehouses in Nashville and Knoxville, Tennessee. MARS TN was created to acquire Mid-Atlantic Roofing Supply, LLC, a Tennessee LLC, through the reorganization on May 21, 2021.

Mid-Atlantic Roofing Supply, LLC (“MARS NC”) was formed as a limited liability company under the laws of the state of North Carolina on May 19, 2021. MARS NC provides roofing products to contractors, home builders, and other customers. MARS NC has warehouses in Greenville, South Carolina and Stanley, North Carolina. MARS NC was created to acquire Mid-Atlantic Roofing Supply, LLC, a North Carolina LLC, through the reorganization on May 21, 2021.

Mid-Atlantic Roofing Supply of Raleigh, LLC (“MARS RA”) was formed as a limited liability company under the laws of the state of North Carolina on May 19, 2021. MARS RA provides roofing products to contractors, home builders, and other customers. MARS RA has warehouses in Raleigh, Wilmington, and Kernersville, North Carolina. MARS RA was created to acquire Mid-Atlantic Roofing Supply of Raleigh, LLC, through the reorganization on May 21, 2021.

Mid-Atlantic Roofing Supply Jackson, LLC (“MARS JAX”) was formed as a limited liability company under the laws of the state of Georgia on September 3, 2021. MARS JAX provides roofing products to contractors, home builders, and other customers. MARS JAX has a warehouse in Jackson, Mississippi.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires the use of management’s estimates.

Accounts Receivable

The Company extends unsecured credit, accounts receivable-trade, to its customers in the ordinary course of business. The Company mitigates the associated credit risk by performing ongoing credit evaluations of its customers. Accounts receivable-trade is reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for accounts receivable-trade. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable-trade. The allowance for doubtful accounts was \$805,174 at December 31, 2021.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Inventory**

Inventories are stated at the lower of weighted average cost, or net realizable value applied on a first-in, first-out basis. Inventory is recorded net of obsolescence. The Company regularly reviews its inventory levels in order to identify slow moving products, using factors such as amount of inventory on hand, remaining shelf life, current and expected market conditions, historical trends, and the likelihood of recovering the inventory costs based on anticipated demand. The reserve for obsolescence was \$1,120,517 at December 31, 2021.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. Revenue transactions represent sales of inventory. Revenue is measured by the transaction price, which is defined as the consideration that the Company expects to receive in exchange for selling its inventory to customers. The revenue includes shipping and handling costs, which generally are included in the list price to the customer. The Company's policy is to recognize revenue when title to the product, and ownership and risk of loss transfer to the customer, which can be on the date of shipment, or the date of receipt by the customer. Payment discounts and product return allowances are recorded as reduction of the sales in the period that the customer's payment is received, or product inventory is returned. Customer pricing allowances are offered through various programs to various customers. Sales are recorded, net of pricing allowances, which are recognized as incurred, generally at the time of the sale.

Amounts billed and due from customers are short-term in nature and are classified as trade receivables since payments are unconditional and only the passage of time is required before payments are due. Additionally, the Company does not grant payment terms greater than sixty (60) days.

The following describes the Company's revenue, disaggregated by geographic location, for the period May 24, 2021 (commencement date) through December 31, 2021:

Alabama	\$ 5,207,837
Florida	9,788,647
Georgia	15,314,561
Mississippi	32,934,642
North Carolina	90,122,897
South Carolina	29,428,554
Tennessee	36,877,944
Texas	14,234,948
	<u>\$ 233,910,030</u>

Property, Equipment, and Depreciation

Property and equipment, subsequent to May 21, 2021, are stated at cost. Property and equipment at May 21, 2021 was recorded at fair market value (see Note 11). When assets are sold or retired, the cost thereof and the related accumulated depreciation are removed from the accounts with the resulting gain or loss reflected in other income (loss). Expenditures for improvements and betterments of assets are capitalized and expenditures for maintenance and repairs are charged to operations.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Property, Equipment, and Depreciation** *[cont'd]*

Depreciation is determined by the straight-line method over the estimated useful lives of the respective assets as follows:

Warehouse equipment	7 to 10 years
Office equipment	3 to 7 years
Leasehold improvements	15 years
Vehicles	5 years

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense was \$215,619 for the period of May 24, 2021 to December 31, 2021.

Other Income (Expense), Net

Other income consists primarily of advertising allowances paid to the Company to advertise the products being sold net of finance charges, and gain on disposal of property and equipment. Other expense consists primarily of interest paid on debt. Other income (expense), net for the period of May 24, 2021 to December 31, 2021, was (\$4,057,239).

Income Taxes

On March 9, 2021, the Company was formed as a limited liability company, to be taxed as a partnership. When taxed as a partnership, the Company does not pay federal or state income taxes on its taxable income, nor is it allowed a net operating loss carryover or carryback as a deduction. Instead, the members include their respective interest of the Company's taxable income or loss in their individual federal income tax returns.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Company and recognize a tax liability if the Company has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Company and has concluded that, as of December 31, 2021, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As of December 31, 2021, the Company's income tax returns are open and subject to examination by tax authorities with relevant jurisdiction. Should such an examination take place, management does not anticipate any significant issues.

Concentrations

The Company maintains cash balances at financial institutions, which, from time to time, exceed the amount insured by the Federal Deposit Insurance Corporation of \$250,000.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[cont'd]***Debt Issuance Costs**

Debt issuance costs incurred in connection with the issuance of debt have been included as a component of the carrying amount of debt, and are amortized over the contractual term of the debt to interest expense, using the effective interest method.

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021, was as follows:

Warehouse equipment	\$ 1,732,218
Office equipment	323,297
Leasehold improvements	789,813
Vehicles	7,939,949
Land	100,000
Building	387,778
Construction in process	813,921
	12,086,976
Less: accumulated depreciation	(1,396,054)
	<u>\$ 10,690,922</u>

Depreciation expense was \$1,396,054 for the period of May 24, 2021 (commencement date) through December 31, 2021.

3. LINE OF CREDIT

The Company has a revolving line of credit of \$50,000,000, secured by assets of the Company. As of December 31, 2021, \$10,000,000 of the line of credit was allocated to a LIBOR rate line of credit with interest at LIBOR plus applicable margin (effective rate was 2.54% at December 31, 2021), and the remaining amount outstanding, \$8,473,696, was a variable rate line of credit, at the Prime Rate plus applicable margin (effective rate was 3.75% at December 31, 2021), for a total of \$18,473,696 outstanding on the line, as of December 31, 2021. The line of credit matures on May 28, 2026.

4. LONG-TERM DEBT

Note payable to Ford Credit, matures March 2026 with monthly principal payments of \$1,462, non-interest bearing, collateralized by two (2) trucks.	\$ 75,312
Note payable to Volvo Financial Services, matures June 2026 with monthly payments of \$4,131 at a fixed rate of 5.54%; collateralized by two (2) trucks.	193,828
Note payable to CenterState Bank, matures May 2026 with monthly payments of \$1,085 at a fixed interest rate of 4.00%; collateralized by trailers.	52,538

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

4. LONG-TERM DEBT *[cont'd]*

Note payable to Ford Credit, matures January 2026 with monthly payments of \$893 at a fixed rate of 7.49%; collateralized by a truck.	\$ 37,559
Note payable to Volvo Financial Services, matures June 2026 with monthly payments of \$6,197 at a fixed rate of 5.54%; collateralized by three (3) trucks.	295,603
Note payable to Sunbelt Forest Products, Inc., matures March 2023; interest at 5.00% per annum (annual compounding); one half of the initial principal amount due March 2022, and remaining principal amount due March 2023.	729,365
Note payable to Volvo Financial Services, matures June 2026 with monthly payments of \$2,060 at a fixed rate of 5.54%; collateralized by a truck.	98,274
Note payable to Ford Credit, matures April 2024 with monthly payments of \$318 at a fixed rate of 5.89%; collateralized by vehicles.	8,301
Note payable to CenterState Bank, matures April 2024 with monthly payments of \$1,567 at a fixed rate of 4.50%; collateralized by vehicles.	39,903
Note payable to CenterState Bank, matures August 2026 with monthly payments of \$2,211 at a fixed rate of 5.00%; collateralized by a truck and warehouse equipment.	109,868
Note payable to Volvo Financial Services, matures July 2026 with monthly payments of \$4,043 at a fixed rate of 3.10%; collateralized by a truck.	192,914
Note payable to Fairway Ford, Inc., matures July 2026 with monthly payments of \$256 at a fixed rate of 6.79%; collateralized by a truck.	12,071
Note payable to Fairway Ford, Inc., matures May 2024 with monthly payments of \$239 at a fixed rate of 6.79%; collateralized by one truck.	6,377
Note payable to CenterState Bank, matures February 2024 with monthly payments of \$1,621 at a fixed rate of 4%; collateralized by one truck.	74,494
Note payable to Volvo Financial Services, matures November 2026 with monthly payments of \$11,548 at a fixed rate of 3.39%; collateralized by five (5) trucks.	626,052

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

4. LONG-TERM DEBT *[cont'd]*

Term loan payable to a financial institution, matures May 2026, quarterly fixed principal payments plus variable rate of interest, 7.25% + (LIBOR / 1-Reserve Percentage) (effective rate was 8.29% at December 31, 2021); collateralized by the assets of the Company.	\$ 89,550,000
Notes payable to the predecessor owners of MARS (see Note 11), expires May 2022.	7,363,827
Note payable to Custom Metal Solutions, LLC, matures March 2023 with two (2) annual payments of \$335,962. Interest rate of 5% per annum.	681,512
Note payable to Developmental Authority of Appling County, Georgia, matures September 2025 with monthly payments of \$3,133 at a fixed rate of 4.0%; collateralized by a leasehold deed.	128,006
	<u>100,275,804</u>
Less: unamortized debt issuance costs	<u>(1,790,571)</u>
Long-term debt, less unamortized debt issuance costs	98,485,233
Less: current maturities	<u>(10,380,233)</u>
Total	<u>\$ 88,105,000</u>

Minimum future long-term debt payments are as follows:

2022	\$ 10,380,233
2023	3,053,985
2024	2,679,611
2025	2,679,979
2026	<u>81,481,996</u>
Total	<u>\$100,275,804</u>

5. CAPITAL LEASE

A subsidiary of the Company leases its land and building from the Development Authority of Appling County. The lease commenced on June 30, 2020, and expires on June 30, 2025, with the option to renew for two (2) additional terms of sixty (60) months each. The fair value of the land and building at reorganization was \$487,778, with accumulated amortization of \$7,778 at December 31, 2021. The annual interest rate is 4.00% with monthly principal and interest payments of \$3,686 for sixty (60) months, and a \$367,331 balloon payment at the expiration of the lease term. The outstanding balance of the lease liability at December 31, 2021, was \$458,305.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

5. CAPITAL LEASE *[cont'd]*

Minimum rental commitments as of December 31, 2021, under these leases are as follows:

2022	\$ 44,234
2023	44,234
2024	44,234
2025	<u>382,075</u>
Total minimum lease payments	514,777
Less: amount representing interest	<u>(56,472)</u>
Present value of minimum lease payments	458,305
Less: current maturities	<u>(26,294)</u>
Total Long-Term	<u>\$ 432,011</u>

6. RELATED PARTY TRANSACTIONS

The Company leases some office and warehouse facilities under fifteen (15) year operating leases from seven (7) LLCs that are commonly owned. Owners of the Company own substantially all of the ownership interest in these LLCs and guarantee the debt of the LLCs. Upon commencement of operations, the Company elected the accounting alternative for private companies under common control provided under Financial Accounting Standards Board ("FASB") ASC 810-10. Under the accounting alternative, common related party leasing arrangements are not required to be consolidated or evaluated for consolidation as a variable interest entity. At December 31, 2021, the Company has an ownership interest in two (2) of the LLCs. Investment expense from the investment in the two (2) LLCs owned by the Company was \$37,768, for the period May 24, 2021 through December 31, 2021.

The Company has an outstanding note payable with the predecessor owners of the MARS entities (see Note 4) for \$7,501,723 which matures on May 23, 2022. The Company is to repay this note in full, less any adjustments related to the acquired assets and liabilities (see Note 11) identified prior to May 23, 2022.

7. OPERATING LEASES

The Company leases several of its office and warehouse facilities under operating leases from LLCs related through common ownership. The operating leases that are leased from the related parties under common ownership are related to the following branches: Sanford, Greenville, Freeport, Calhoun, Biloxi, Jackson, and Rice. The Sanford and Greenville leases commenced April 21, 2020 and are month-to-month leases at \$15,000 per month. The Freeport lease commenced on May 1, 2020, at \$6,500 per month, and expires April 30, 2035. The Calhoun lease commenced on June 1, 2021 and expires May 31, 2026 with initial rent of \$11,875 per month for the first twelve (12) months; monthly rent increases 2.00% each year. The Biloxi lease commenced on May 1, 2020, at \$4,500 per month, and expires April 30, 2035. The Jackson lease commenced on June 1, 2021, at \$15,000 per month, and expires May 31, 2026. The Rice lease commenced May 1, 2020, at \$6,000 per month, and expires April 30, 2035. The lease agreements have triple net terms and, therefore, the Company has responsibility for the payment of all expenses related to the facilities, including taxes, insurance, and maintenance charges. The real estate taxes, insurance, professional fees, and maintenance expenses were accounted for in the related operating expense accounts.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

7. OPERATING LEASES *[cont'd]*

Rent expense related to related party leases was \$518,931 for the period of May 24, 2021 (commencement date) through December 31, 2021.

Future minimum payments required under these leases are as follows:

2022	\$ 527,925
2023	530,804
2024	533,740
2025	536,734
2026	356,123
Thereafter	<u>1,700,000</u>
	<u>\$ 4,185,326</u>

Other operating leases for more than one year are with unrelated parties. Minimum rental commitments at December 31, 2021, under these leases, having initial or remaining terms of more than one year, are as follows:

2022	\$ 1,818,842
2023	1,828,516
2024	1,566,329
2025	1,433,406
2026	936,745
Thereafter	<u>907,960</u>
	<u>\$ 8,491,798</u>

Rent expense related to unrelated party leases was \$1,484,707 for the period of May 24, 2021 (commencement date) through December 31, 2021.

8. GOODWILL AND TRADE NAMES

The Company acquired \$119,282,894 of goodwill in conjunction with the entity reorganization on May 21, 2021 (See Note 11). During the initial period, May 24, 2021 to December 31, 2021, the Company adopted the accounting alternative for the subsequent measurement of goodwill provided under FASB ASC 350-20. Under this accounting alternative, the Company began amortizing goodwill on a straight-line basis over a ten (10)-year useful life and only evaluates goodwill for impairment at the entity level when a triggering event occurs.

Goodwill, presented in the consolidated balance sheet, as of December 31, 2021, consists of the following:

Goodwill	\$119,282,894
Less: accumulated amortization	<u>(7,276,536)</u>
Goodwill, net	<u>\$112,006,358</u>

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

8. GOODWILL AND TRADE NAMES *[cont'd]*

The Company acquired \$25,900,000 of trade name assets during the entity reorganization on May 21, 2021 (see Note 11). The trade names are amortized on a straight-line basis over ten (10) years. Amortization expense related to the trade names, included in selling, administrative, and general expenses, totaled \$1,489,854 for the period of May 24, 2021 (commencement date) through December 31, 2021.

Estimated future amortization expense totals as follows:

2022	\$ 14,518,293
2023	14,518,293
2024	14,518,293
2025	14,518,293
2026	14,518,293
Thereafter	<u>63,825,039</u>
	<u>\$ 136,416,504</u>

9. PROFIT SHARING PLAN

The Company has a 401(k) profit sharing plan (“the Plan”) including employees who have reached age twenty-one (21) and have six (6) months of service. The Plan is a salary deferral plan that allows employees to make voluntary contributions of their pre-tax compensation. The Company’s contribution to the Plan is at the discretion of management unless the Plan is top-heavy. A 3% Company match is required during years the Plan is determined to be top-heavy. Employee voluntary contributions are vested at all times and employer contributions are fully vested after six (6) years. Contributions are reported net of forfeitures, if any. Company contributions to the Plan for the period of May 24, 2021 (commencement date) through December 31, 2021 were \$163,738.

10. CONCENTRATIONS

For the period of May 24, 2021 (commencement date) through December 31, 2021, the Company had two (2) vendors that accounted for approximately 54% of its purchases. The vendors accounted for approximately 64% of trade payables at December 31, 2021.

11. REORGANIZATION

On May 21, 2021, Atlantic Squared Supply LLC entered into a reorganization agreement in which the following transactions occurred: the individual owners of MARS Tennessee, LLC, MARS Raleigh, LLC, MARS Denver, LLC, and MARS Charlotte, LLC sold their equity interests in these entities to Atlantic Squared Supply Intermediary, LLC, which were then contributed immediately to ASquared. Instead of receiving cash consideration for their interests, they reinvested a portion of their proceeds directly into the “MARS” entities, resulting in a noncontrolling interest ownership in MARS RA, MARS CLT, MARS NC, and MARS TN. As of December 31, 2021, ASquared owns 86.67% of MARS CH, 87.2% of MARS TN, 97% of MARS NC, and 91.51% of MARS RA. Additionally, at the date of the reorganization, the existing owners of the “CARS” and “MARS” entities, contributed a portion of their membership interests to Atlantic Squared Supply Intermediary, LLC, which were then immediately contributed to ASquared.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 24, 2021 (Commencement Date) through December 31, 2021

11. REORGANIZATION *[cont'd]*

The owners of the “CARS” and “MARS” entities maintained a noncontrolling interest in the “CARS” and “MARS” entities as well. As of December 31, 2021, ASquared owns 75% of CARS, 85% of CARS GA, 90% of CARS SC, 85% of CARS SW, and 65% of MRS SC. The Company revised its balance sheet amounts by assigning the purchase consideration of \$184,645,809 to estimated fair values of the Company’s assets and liabilities as of May 21, 2021. The following table summarizes the final allocation of the purchase price to the assets acquired and liabilities assumed, as of May 21, 2021:

Assets acquired:	
Cash	\$ 8,337,097
Accounts receivable-trade	42,800,924
Vendor rebates	7,466,556
Accounts receivable-others	9,463
Inventory	33,526,145
Prepaid expenses	624,206
Property and equipment	8,151,730
Investment-other	258,745
Liabilities assumed:	
Trade accounts payable	56,141,523
Accrued expenses and other liabilities	959,273
Customer rebates	873,582
Lease liability	475,317
Long-term debt	<u>3,262,256</u>
Total identifiable net assets	39,462,915
Goodwill	119,282,894
Trade name	<u>25,900,000</u>
Net assets acquired	<u>\$ 184,645,809</u>

As a result of the Company reorganization on May 21, 2021, certain accounting adjustments are reflected in the financial statements, as discussed below.

The Company recorded goodwill of \$119,282,894 in the balance sheet. Goodwill recognized is primarily attributable to the acquisition of an assembled workforce and other intangible assets that do not qualify for separate recognition.

The fair value of the acquired intangible assets was estimated using the royalty savings method for our trade names. Under the royalty savings method, the fair value estimate of the acquired trade names were determined based on the present value of the economic royalty savings associated with the ownership or possession of the trade name based on an estimated royalty rate applied to the cash flows to be generated by the business. The fair value of the trade names acquired as a result of the reorganization was \$25,900,000.

The Company recorded inventory at fair value using the estimated replacement costs of the inventory. Inventory increased by \$3,108,104.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****May 24, 2021 (Commencement Date) through December 31, 2021****11. REORGANIZATION *[cont'd]***

The Company incurred acquisition-related costs, by the closing date, of \$4,028,323 which were financed with long-term debt in the reorganization. Financing costs of \$1,800,000 incurred in connection with the reorganization have been deferred and are reported net of long-term debt on the balance sheet, and will be amortized over the life of the respective credit agreement.

12. SUBSEQUENT EVENTS

Management evaluated subsequent events through July 11, 2022, the date the financial statements were available to be issued.

On January 31, 2022, a new entity was formed, GLM Landscape Supply Cherokee LLC, which is majority owned by the Company. On February 15, 2022, GLM Landscape Supply Cherokee LLC acquired substantially all of the assets of Mulch Man, LLC for a purchase price of \$1,310,000.

On March 24, 2022, a new entity was formed, Metal Roofing Systems Florida LLC, which is majority owned by the Company. On May 17, 2022, Metal Roofing Systems Florida LLC acquired substantially all of the assets of Modern Metal Systems, Inc. for a purchase price of \$1,800,000.

On March 31, 2022, the Company entered into an equity purchase agreement to acquire a majority interest in GLM Landscape Supply, LLC. The Company acquired 65% of the equity interest in GLM Landscape Supply, LLC for a purchase price of \$4,254,750.

On April 6, 2022, a new entity was formed, GLM Landscape Supply Duluth LLC, which is majority owned by the Company. On April 19, 2022, GLM Landscape Supply Duluth LLC acquired substantially all of the assets of Northside Trucking, Inc. for a purchase price of \$675,000.

SUPPLEMENTARY INFORMATION

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF SELLING, ADMINISTRATIVE, AND GENERAL EXPENSES

Period of May 24, 2021 (Commencement Date) through December 31, 2021

Advertising	\$ 215,619
Amortization	8,775,819
Automobile	92,220
Bad debts	444,231
Bank charges	138,748
Depreciation	1,396,054
Dues and subscriptions	162,691
Employee benefits	1,174,256
Fuel	1,165,999
Insurance	628,222
Information technology	416,505
Meals and entertainment	340,043
Merchant service fees	675,832
Miscellaneous	39,441
Office supplies	225,869
Payroll service fees	63,443
Payroll taxes	848,540
Postage	43,931
Professional fees	643,904
Rental	2,003,638
Repairs and maintenance	709,212
Salaries and wages	12,272,315
Shipping	1,589,233
Software	140,547
Supplies	178,687
Taxes and licenses	391,264
Telephone and cable	151,930
Travel and entertainment	339,377
Utilities	158,589
Total Selling, Administrative, and General Expenses	\$ 35,426,159

See auditor's report.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF OTHER INCOME (EXPENSE)

Period of May 24, 2021 (Commencement Date) through December 31, 2021

Interest expense	\$ (4,734,240)
Gain on disposal of property and equipment	12,884
Other income	<u>664,117</u>
Total Other Expense	<u><u>\$ (4,057,239)</u></u>

See auditor's report.

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

December 31, 2021

	ASSETS				
	CARS NC	CARS GA	CARS SC	CARS SW	MRS SC
Current Assets					
Cash	\$ 523,724	\$ 70,811	\$ 418,157	\$ 8,833	\$ 166,264
Due from affiliates	1,201,201	600,926	-	349,735	641,505
Accounts receivable:					
Trade, net of allowance for doubtful accounts	5,242,428	2,588,651	8,208,920	1,746,011	541,313
Vendor rebates	2,839,860	1,352,062	3,240,039	1,496,414	-
Other	-	-	683	-	-
Inventory	5,405,229	1,614,794	3,513,775	1,231,758	1,947,724
Prepaid expenses	-	-	130,355	-	5,500
Total Current Assets	<u>15,212,442</u>	<u>6,227,244</u>	<u>15,511,929</u>	<u>4,832,751</u>	<u>3,302,306</u>
Property and Equipment, net	<u>1,321,811</u>	<u>978,897</u>	<u>2,059,587</u>	<u>366,966</u>	<u>977,900</u>
Other Assets					
Goodwill, net of accumulated amortization	33,615,023	4,401,731	8,280,751	2,316,509	1,342,685
Trade name, net of accumulated amortization	7,185,449	1,055,914	2,510,448	606,534	-
Investment in subsidiaries	-	-	-	-	-
Investment - other	52,062	-	-	-	-
Total Other Assets	<u>40,852,534</u>	<u>5,457,645</u>	<u>10,791,199</u>	<u>2,923,043</u>	<u>1,342,685</u>
Total Assets	<u>\$ 57,386,787</u>	<u>\$ 12,663,786</u>	<u>\$ 28,362,715</u>	<u>\$ 8,122,760</u>	<u>\$5,622,891</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)					
Current Liabilities					
Current portion of long-term debt	\$ 99,144	\$ 51,295	\$ 552,064	\$ 57,392	\$ 681,512
Current portion of lease liability	-	26,294	-	-	-
Accounts payable	7,549,085	3,734,307	8,155,776	2,880,029	1,005,981
Customer rebates	277,940	106,247	283,203	-	-
Due to affiliates	-	-	74,358	-	-
Accrued expenses and other liabilities	328,622	81,896	288,487	84,091	136,365
Total Current Liabilities	<u>8,254,791</u>	<u>4,000,039</u>	<u>9,353,888</u>	<u>3,021,512</u>	<u>1,823,858</u>
Long-Term Debt					
Line of credit	-	-	-	-	-
Lease liability	-	432,011	-	-	-
Long-term debt, net of unamortized debt issuance costs	338,049	183,287	1,189,053	211,748	-
Total Long-Term Liabilities	<u>338,049</u>	<u>615,298</u>	<u>1,189,053</u>	<u>211,748</u>	<u>-</u>
Total Liabilities	<u>8,592,840</u>	<u>4,615,337</u>	<u>10,542,941</u>	<u>3,233,260</u>	<u>1,823,858</u>
Members' Equity (Deficit)					
Retained earnings (deficit)	(766,959)	132,700	1,298,305	763,822	726,123
Additional paid-in capital	37,886,605	6,859,838	15,156,480	3,595,369	1,842,764
Total Members' Equity (Deficit)	<u>37,119,646</u>	<u>6,992,538</u>	<u>16,454,785</u>	<u>4,359,191</u>	<u>2,568,887</u>
Noncontrolling Interest	<u>11,674,301</u>	<u>1,055,911</u>	<u>1,364,989</u>	<u>530,309</u>	<u>1,230,146</u>
Total Equity (Deficit)	<u>48,793,947</u>	<u>8,048,449</u>	<u>17,819,774</u>	<u>4,889,500</u>	<u>3,799,033</u>
Total Liabilities and Equity	<u>\$ 57,386,787</u>	<u>\$ 12,663,786</u>	<u>\$ 28,362,715</u>	<u>\$ 8,122,760</u>	<u>\$5,622,891</u>

See auditor's report.

Schedule 3

MARS CH	MARS TN	MARS NC	MARS RA	MARS JAX	ASquared	Eliminating Entries	Consolidated
\$ 101,838	\$ 85,532	\$ 126,108	\$ 289,214	\$ -	\$ -	\$ -	\$ 1,790,481
-	-	-	-	-	17,741,989	(20,535,356)	-
1,437,530	12,442,833	9,579,260	7,326,017	382,703	-	-	49,495,666
1,173,223	2,263,745	849,652	3,087,087	522,132	30,000	-	16,854,214
-	-	-	-	-	-	-	683
3,518,213	11,568,538	4,618,145	9,461,003	2,273,804	-	-	45,152,983
-	32,075	278,617	65,292	25,000	36,455	-	573,294
6,230,804	26,392,723	15,451,782	20,228,613	3,203,639	17,808,444	(20,535,356)	113,867,321
847,925	1,419,220	476,455	1,670,951	387,103	184,107	-	10,690,922
9,470,616	10,251,847	9,475,153	32,716,870	-	135,173	-	112,006,358
1,919,384	2,047,341	2,303,259	6,781,817	-	-	-	24,410,146
-	-	-	-	-	154,169,947	(154,169,947)	-
2,500	2,500	2,500	2,500	-	-	-	62,062
11,392,500	12,301,688	11,780,912	39,501,187	-	154,305,120	(154,169,947)	136,478,566
\$ 18,471,229	\$ 40,113,631	\$ 27,709,149	\$ 61,400,751	\$ 3,590,742	\$ 172,297,671	\$ (174,705,303)	\$ 261,036,809
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,938,826	\$ -	\$ 10,380,233
-	-	-	-	-	-	-	26,294
2,317,285	9,726,122	7,482,105	7,233,945	1,470,590	117,789	-	51,673,014
143,759	585,932	153,700	300,745	-	-	-	1,851,526
1,918,112	11,182,861	558,083	4,585,348	2,216,594	-	(20,535,356)	-
269,855	863,386	652,822	774,344	20,836	235,305	-	3,736,009
4,649,011	22,358,301	8,846,710	12,894,382	3,708,020	9,291,920	(20,535,356)	67,667,076
-	-	-	-	-	18,473,696	-	18,473,696
-	-	-	-	-	-	-	432,011
3,435	(115,921)	(13,896)	(13,081)	-	86,322,326	-	88,105,000
3,435	(115,921)	(13,896)	(13,081)	-	104,796,022	-	107,010,707
4,652,446	22,242,380	8,832,814	12,881,301	3,708,020	114,087,942	(20,535,356)	174,677,783
(356,717)	610,498	726,693	(215,676)	(117,278)	(1,809,090)	2,626,282	3,618,703
12,333,459	14,973,238	17,583,352	44,615,805	-	60,277,314	(156,796,229)	58,327,995
11,976,742	15,583,736	18,310,045	44,400,129	(117,278)	58,468,224	(154,169,947)	61,946,698
1,842,041	2,287,515	566,290	4,119,321	-	(258,495)	-	24,412,328
13,818,783	17,871,251	18,876,335	48,519,450	(117,278)	58,209,729	(154,169,947)	86,359,026
\$ 18,471,229	\$ 40,113,631	\$ 27,709,149	\$ 61,400,751	\$ 3,590,742	\$ 172,297,671	\$ (174,705,303)	\$ 261,036,809

ATLANTIC SQUARED SUPPLY LLC AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF OPERATIONS

Period of May 24, 2021 (Commencement Date) through December 31, 2021

	CARS LLC	CARS GA	CARS SC	CARS SW	MRS SC
Revenue					
Sales	\$34,761,427	\$15,314,561	\$47,331,128	\$14,234,948	\$ 6,579,678
Management fees	-	-	-	-	-
Total Revenue	<u>34,761,427</u>	<u>15,314,561</u>	<u>47,331,128</u>	<u>14,234,948</u>	<u>6,579,678</u>
Cost of Sales	<u>28,789,917</u>	<u>13,284,043</u>	<u>39,904,639</u>	<u>11,198,786</u>	<u>4,242,680</u>
Gross Profit	5,971,510	2,030,518	7,426,489	3,036,162	2,336,998
Selling, Administrative, and General Expenses	<u>5,738,053</u>	<u>1,351,038</u>	<u>4,748,642</u>	<u>1,596,747</u>	<u>1,043,753</u>
Income (Loss) from Operations	<u>233,457</u>	<u>679,480</u>	<u>2,677,847</u>	<u>1,439,415</u>	<u>1,293,245</u>
Other Income (Expense)					
Interest expense	(667,958)	(313,650)	(925,836)	(287,349)	(150,595)
Gain on disposal of property and equipment	987	-	1,200	-	10,697
Other income (expense)	<u>45,396</u>	<u>51,048</u>	<u>105,773</u>	<u>122,515</u>	<u>(36,234)</u>
Total Other Income (Expense)	<u>(621,575)</u>	<u>(262,602)</u>	<u>(818,863)</u>	<u>(164,834)</u>	<u>(176,132)</u>
Net Income (Loss) before Noncontrolling Interest	(388,118)	416,878	1,858,984	1,274,581	1,117,113
Earnings (Loss) Attributable to Noncontrolling Interest	<u>(97,030)</u>	<u>62,532</u>	<u>185,898</u>	<u>191,187</u>	<u>390,990</u>
Net Income (Loss)	<u>\$ (291,088)</u>	<u>\$ 354,346</u>	<u>\$ 1,673,086</u>	<u>\$ 1,083,394</u>	<u>\$ 726,123</u>

See auditor's report.

Schedule 4

MARS CH	MARS TN	MARS NC	MARS RA	MARS JAX	ASquared	Eliminating Entries	Consolidated
\$ 12,151,068	\$ 36,877,944	\$ 31,406,327	\$ 36,243,462	\$ 599,999	\$ -	\$ (1,590,512)	\$ 233,910,030
-	-	-	-	-	2,958,788	(2,958,788)	-
12,151,068	36,877,944	31,406,327	36,243,462	599,999	2,958,788	(4,549,300)	233,910,030
8,962,757	29,314,101	26,065,473	27,410,193	522,423	-	(1,590,512)	188,104,500
3,188,311	7,563,843	5,340,854	8,833,269	77,576	2,958,788	(2,958,788)	45,805,530
3,114,700	5,832,662	3,773,757	8,079,464	176,622	2,929,509	(2,958,788)	35,426,159
73,611	1,731,181	1,567,097	753,805	(99,046)	29,279	-	10,379,371
(246,237)	(767,995)	(624,918)	(726,420)	(16,214)	(7,068)	-	(4,734,240)
-	-	-	-	-	-	-	12,884
(145,107)	130,106	48,001	366,848	(2,018)	(22,211)	-	664,117
(391,344)	(637,889)	(576,917)	(359,572)	(18,232)	(29,279)	-	(4,057,239)
(317,733)	1,093,292	990,180	394,233	(117,278)	-	-	6,322,132
(42,354)	139,941	29,705	33,470	-	-	-	894,339
\$ (275,379)	\$ 953,351	\$ 960,475	\$ 360,763	\$ (117,278)	\$ -	\$ -	\$ 5,427,793

Multiple Employer Plan Participating Employer Information

Atlantic Squared Supply, LLC 401k Profit Sharing Plan - EIN 86-2655577 - Plan 001

[illegible][illegible]

Multiple Employer Plan Participating Employer Information

Atlantic Squared Supply, LLC 401k Profit Sharing Plan - EIN 86-2655577 - Plan 001

[illegible][illegible]

Name of Plan:	
▶ Atlantic Squared Supply, LLC 401k Profit Sharing Plan	
Employer Identification Number:▶	86-2655577
For plan year (beginning/ending):▶	1/1/2021 to 12/31/2021
Plan number:▶	1

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