UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A (Amendment No. 1)

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): December 23, 2021

DMC Global Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**0-8328**	**84-0608431**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

11800 Ridge Parkway, Suite 300, Broomfield, Colorado 80021
(Address of Principal Executive Offices, Including Zip Code)

(303) 665-5700
(Registrant's Telephone Number, Including Area Code)

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $0.05 Par Value	BOOM	The Nasdaq Global Select Market

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.01 Completion of Acquisition or Disposition of Assets.

On December 28, 2021, DMC Global Inc., a Delaware corporation (the "Company") filed a Current Report on Form 8-K (the "Original 8-K") to report the closing, on December 23, 2021, of the Company's acquisition (the "Acquisition") of 60% of Arcadia Products, LLC, a Colorado limited liability company that resulted from the conversion of Arcadia, Inc., a California corporation, following a tax reorganization ("Arcadia") for consideration of $261 million in cash (excluding $7.6 million in acquired cash) and 551,458 shares of its common stock, par value $0.05 per share.

This Current Report on Form 8-K/A (this "Amended 8-K") amends and supplements the Original 8-K filed by the Company, and is being filed to provide the historical financial statements and the pro forma financial information required pursuant to Items 9.01(a) and 9.01(b) of Form 8-K, respectively. In accordance with the requirements of Items 9.01(a)(3) and 9.01(b)(2) of Form 8-K, this Amended 8-K is being filed within 71 calendar days of the date that the Original 8-K was required to be filed with respect to the Acquisition.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The audited financial statements of Arcadia as of and for the years ended December 31, 2019 and 2020 are filed as Exhibit 99.1 and Exhibit 99.2 to this Amended 8-K and are incorporated herein by reference.

The unaudited financial statements of Arcadia as of and for the nine months ended September 30, 2021 are filed as Exhibit 99.3 to this Amended 8-K and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 and for the nine months ended September 30, 2021, which combines the historical results of the Company and Arcadia after giving effect to the Acquisition (the "Pro Forma Financial Information") is filed as Exhibit 99.4 to this Amended 8-K and incorporated herein by reference. An unaudited pro forma condensed combined balance sheet has not been presented as the Acquisition has already been fully reflected in the consolidated balance sheet included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed on March 1, 2022.

Also included in this Amended 8-K is the consent of Windes Inc. consenting to the inclusion of its reports dated April 27, 2020 and May 7, 2021 and relating to the financial statements of Arcadia included as Exhibit 99.1, Exhibit 99.2, which is included as Exhibit 23.1. Also included in this Amended 8-K is the awareness letter of Windes Inc. regarding the inclusion of its report dated February 18, 2022 within Exhibit 99.3.

The pro forma financial information included in this Amended 8-K has been presented for informational purposes only. It does not purport to represent the actual results of operations that the Company and Arcadia would have achieved had the businesses been combined during the periods presented in the Pro Forma Financial Information and is not intended to project the future results that the combined businesses may achieve.

(d) Exhibits.

Exhibit Number	Description
15.1	Letter of Awareness from Windes Inc., independent public accounting firm of Arcadia, Inc.
23.1	Consent of Windes Inc., independent public accounting firm of Arcadia, Inc.
99.1	The audited financial statements of Arcadia, Inc. and the related notes thereto as of December 31, 2019 and the related report of Windes Inc., Arcadia, Inc.'s independent public accounting firm.
99.2	The audited financial statements of Arcadia, Inc. and the related notes thereto as of December 31, 2020 and the related report of Windes Inc., Arcadia, Inc.'s independent public accounting firm.
99.3	The unaudited financial statements of Arcadia, Inc. as of and for the nine months ended September 30, 2021 and the related report of Windes Inc., Arcadia, Inc.'s independent public accounting firm.
99.4	The unaudited Pro Forma Financial Information, which combines the historical financial statements of Arcadia, Inc. and DMC Global Inc., after giving effect to the Acquisition.
104	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DMC Global Inc.

Dated:	March 11, 2022	By:	/s/ Michael Kuta
			Michael Kuta
			Chief Financial Officer

Exhibit 15.1

ACKNOWLEDGMENT OF INDEPENDENT ACCOUNTANTS

We are aware that our report dated February 18, 2022 on our review of the financial statements of Arcadia, Inc., which include the balance sheet as of September 30, 2021 and the related statements of income, stockholders' equity, and cash flows for the period January 1, 2021 to September 30, 2021, and the related notes to the financial statements, is incorporated by reference in DMC Global, Inc.'s Registration Statements as follows:

(1) Registration Statement (Form S-3 No. 333-238211, Form S-3ASR 333-255719),

(2) Registration Statements (Form S-8 No. 333-143355, Form S-8 No. 333-188796 and Form S-8 No. 333-211328) pertaining to the Company's 2006 Stock Incentive Plan,

(3) Registration Statements (Form S-8 No. 333-182979 and Form S-8 No. 333-218177) pertaining to the Company's Employee Stock Purchase Plan, and

(4) Registration Statement (Form S-8 No. 333-214460) pertaining to the Company's 2016 Omnibus Incentive Plan.

/s/ Windes, Inc.
Long Beach, California
March 11, 2022

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-238211, Form S-3ASR 333-255719),

(2) Registration Statements (Form S-8 No. 333-143355, Form S-8 No. 333-188796 and Form S-8 No. 333-211328) pertaining to the Company's 2006 Stock Incentive Plan,

(3) Registration Statements (Form S-8 No. 333-182979 and Form S-8 No. 333-218177) pertaining to the Company's Employee Stock Purchase Plan, and

(4) Registration Statement (Form S-8 No. 333-214460) pertaining to the Company's 2016 Omnibus Incentive Plan;

of DMC Global, Inc. of our reports dated May 7, 2021 and April 27, 2020, relating to the balance sheets of Arcadia, Inc. as of December 31, 2020 and 2019, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

/s/ Windes, Inc.
Long Beach, California
March 11, 2022

Financial Statements

December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Arcadia, Inc.

We have audited the accompanying financial statements of Arcadia, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2019, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Arcadia, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, beginning January 1, 2019, Arcadia, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and its related amendments. Our opinion is not modified with respect to this matter.

Windes, Inc.

Long Beach, California
April 27, 2020

ARCADIA, INC.

BALANCE SHEET
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS	
Cash	$ 22,784,054
Accounts receivable, net of bad debt reserve of $757,022	29,574,214
Inventory	41,080,620
Prepaid expenses and other current assets	224,663
	93,663,551
PROPERTY AND EQUIPMENT, net	14,658,371
OTHER ASSETS	
Employee advances	327,820
Note receiveable	200,000
Deposits	115,536
Deferred taxes	512,029
Goodwill	2,200,210
	3,355,595
TOTAL ASSETS	$ 111,677,517

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 4,821,607
Accrued wages and related employee benefits	1,587,697
Accrued expenses	4,432,601
Customer deposits and advances	10,173,874
	21,015,779
COMMITMENTS AND CONTINGENCIES (Note 8)	
STOCKHOLDERS' EQUITY	
Common stock, $100 stated value; authorized 10,000 shares, 6,645 shares issued and outstanding	642,500
Additional paid-in-capital	2,696,876
Retained earnings	87,322,362
	90,661,738
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 111,677,517

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

ARCADIA, INC.

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

NET SALES	$ 252,734,510
COST OF GOODS SOLD	165,986,999
GROSS PROFIT	86,747,511
OPERATING EXPENSES	
Selling	13,395,069
General and administrative	27,289,413
	40,684,482
INCOME FROM OPERATIONS	46,063,029
OTHER INCOME (EXPENSES)	
Other income, net	33,485
Loss on asset disposition	(102,790)
	(69,305)
INCOME BEFORE TAXES	45,993,724
PROVISION FOR INCOME TAXES	(719,961)
NET INCOME	$ 45,273,763

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

ARCADIA, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
BALANCE AT JANUARY 1, 2019	$ 642,500	$ 2,696,876	$ 92,697,482	$ 96,036,858
NET INCOME	-	-	45,273,763	45,273,763
STOCKHOLDER DISTRIBUTIONS	-	-	(50,648,883)	(50,648,883)
BALANCE AT DECEMBER 31, 2019	$ 642,500	$ 2,696,876	$ 87,322,362	$ 90,661,738

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

ARCADIA, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 45,273,763
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,431,071
Loss on asset dispositions	102,790
Change in bad-debt reserve	49,194
Change in deferred taxes	44,100
Adjustment to goodwill	59,629
Changes in operating assets and liabilities:	
Accounts receivable	4,726,452
Inventory	(3,188,531)
Prepaid expenses and other current assets	66,175
Deposits	117,689
Accounts payable	(6,438,031)
Accrued wages and related employee benefits	(2,255,958)
Accrued expenses	3,108,153
Customer deposits and advances	593,832
Net Cash Provided By Operating Activities	43,690,328
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(2,369,372)
Proceeds from sale of property and equipment	3,500
Net change in employee advances	(30,018)
Net Cash Used In Investing Activities	(2,395,890)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distributions to stockholders	(50,648,883)
Net Cash Used In Financing Activities	(50,648,883)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,354,445)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,138,499
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,784,054
SUPPLEMENTAL DISCOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Income taxes	$ 924,610
Interest	$ 329

Interest	$ [illegible]

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

ARCADIA, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – Description of Business

Arcadia, Inc. (the Company) manufactures finished doors, window frames, and building partitions. The Company's products are sold at wholesale to various contractors and subcontractors primarily throughout the United States to both the commercial and residential markets.

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standard

Beginning January 1, 2019, the Company adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* and its related amendments, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*. The standard requires an entity to recognize revenue when goods are transferred or services are provided to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires disclosures enabling users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard permits the use of either a full-retrospective transition method or a modified-retrospective transition method with the cumulative effect adjusted to the opening balance of retained earnings. The Company has elected the use of the modified-retrospective method, which resulted in no adjustment to the opening balance of retained earnings.

Basis of Presentation

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. Principal areas requiring the use of estimates include determination of allowance for doubtful accounts, inventory (work in process), impairment of long-lived assets, deferred income taxes, warranty costs, and useful lives of property and equipment.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Common Control Leasing Arrangements

ASC 810 was amended by Update No. 2014-07, *Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements* (ASU 2014-07). This update permits a private company lessee (the reporting entity) to elect an accounting alternative not to apply variable interest entity (VIE) guidance to commonly controlled lessor entities if (a) the private company lessee and the lessor entities are under common control, (b) the private company lessee has a lease arrangement with the lessor entity, (c) substantially all of the activities between the private company lessee and the lessor entity are related to leasing activities (including supporting leasing activities) between those two entities, and (d) if the private company lessee explicitly guarantees or provides collateral for any obligation of the lessor entity related to the asset leased by the private company, and the principal amount of the obligation at inception of such guarantee or collateral arrangement does not exceed the value of the asset leased by the private company from the lessor entity. The Company has elected not to apply VIE guidance to Alpine Universal, Inc., a commonly controlled lessor (see Note 6), and the Company has determined that the leasing arrangements meet the established criteria in ASC 810.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of temporary cash deposits and trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers and their geographic dispersion. The Company requires no collateral from its customers and performs on-going credit evaluations of its customers' financial condition.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Company currently places its cash deposits with high-credit quality financial institutions. At times, balances in the Company's cash account may exceed the federally insured limit; however, the Company has not experienced any losses with respect to these items.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. 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.

Inventory

The inventory of finished aluminum doors, window frames, materials used in finishing coatings for aluminum, and interior building partitions plus related components are stated at the lower of cost or net realizable value under the first-in, first-out (FIFO) method. Inventory on-hand at December 31, 2019 is comprised of:

Work-in-process	$ 1,392,611
Finished goods	39,688,009
	$ 41,080,620

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Real estate	40 years
Machinery and equipment	5-10 years
Office equipment, software, and furnishings	5-10 years
Vehicles	5 years
Leasehold improvements	10-15 years

Leasehold improvements are amortized on the straight-line method over the term of the lease or estimated useful life, whichever is shorter. Expenditures for repairs and maintenance are charged to operations as incurred, while renewals and betterments are capitalized.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Employee Advances

From time to time, the Company will advance employee loans to assist with the acquisition of residential property. The interest-free advances are paid back through payroll withholdings or upon the sale of the property.

Note Receivable

The Company has advanced funds to Alpine Universal, Inc. who share common stockholders as the Company. The advances are interest free and are paid back as funds become available.

Goodwill

Goodwill represents the excess of acquisition costs over the net fair values of identifiable assets acquired and liabilities assumed in business acquisitions. Goodwill is deemed to have an indefinite life and is not amortized, but rather tested at least annually for impairment. During the year ended December 31, 2019, the Company recognized a decrease in goodwill of $59,629 related to the acquisition that occurred in 2018 due to a change in the measurement of certain consideration exchanged in the acquisition, which was recognized as a measurement period adjustment.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset's carrying value is adjusted to fair value. During the year ended December 31, 2019, the Company noted no impairment.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Beginning January 1, 2019, revenue is recognized when a contractual promise to a customer has been fulfilled by transferring control over the promised goods or services, principally at the time of shipment to or receipt of the products by the customer. The Company's contractual promises generally represent one performance obligation. However, if a contract includes more than one performance obligation, the consideration is allocated based on the standalone selling prices of the individual performance obligations. Such determination does not require significant judgment. The amount of revenue recognized is based on the expected consideration in exchange for the goods, taking into account contractually defined terms (e.g. trade discounts, cash discounts, and volume rebates) and excluding taxes or duty.

The following table presents disaggregated revenue recognized by service line for the year ended December 31, 2019:

Large painted/anodized – commercial projects	$ 85,209,815
Painted/anodized – aluminum storefronts	62,471,306
Painted/anodized – residential projects	36,149,162
Painted/anodized – interior partitions products	29,741,241
Painted/anodized – doors and frames	13,745,623
Vinyl products	7,403,939
Painted/anodized – aluminum windows	4,456,540
Finishing services	3,891,142
Painted/anodized – commercial sliding products	3,135,974
Hardware	2,843,116
Scrap sales	2,040,027
Painted/anodized – non aluminum windows/doors	1,916,627
	$ 252,734,510

Customer Deposits and Advances

Customer deposits and advances represents fees collected in advance from customers prior to the completion of the sale transactions. The fees will be recognized when the sale is completed or refunded to the customer if the sale is canceled prior to completion.

ARCADIA, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Warranty

The Company provides warranty covering defects for aluminum doors and window frames. Based on historical costs of warranty replacements and insurance coverages, management has estimated and recorded approximately $1,000,000 at December 31, 2019 for future warranty costs. The warranty accrual is included in accrued expenses on the balance sheet.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was $308,118 for the year ended December 31, 2019.

Income Taxes

The Company, with the consent of its stockholders, has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and also in those states where it operates. Under those provisions, the Company does not provide for or pay federal and certain state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their share of the Company's taxable income. The Company, as an S corporation, also pays a 1.5% state tax to California on its taxable income resulting from operations in California. The income produced from non-California operations is not subject to this tax. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes.

Any deferred tax assets and liabilities represent the future tax consequences of those differences and will either be taxable or deductible when the assets and liabilities are recovered or settled. As of December 31, 2019, the Company's potential deferred tax liabilities resulting from timing differences resulted in an immaterial amount.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are generally three and four years for federal and state filings, respectively. The Company has evaluated its tax positions for all open tax years and management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended

December 31, 2019. If assessed, the Company classifies any interest and penalties recognized with a tax position as operating expenses in the statement of income.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of the new standard on the financial statements.

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, *Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment* (ASU 2017-04). ASU 2017-04 provides guidance to simplify the subsequent measurement of goodwill by eliminating the Step 2 procedure from the goodwill impairment test. Under the updates in ASU 2017-04, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The new standard is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

Management has evaluated subsequent events through April 27, 2020, the date on which the financial statements were available to be issued.

ARCADIA, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 – Property and Equipment

Property and equipment as of December 31, 2019 is composed of the following:

Buildings	$ 3,033,585
Machinery and equipment	15,206,910
Office equipment, software, and furnishings	720,974
Vehicles	2,462,058
Leasehold improvements	3,610,131
	25,033,658
Less accumulated depreciation	(11,556,658)
	13,477,000
Construction in progress	629,371
Land	552,000
	$ 14,658,371

NOTE 4 – Line of Credit

The Company has a line of credit with Union Bank of California. The Company may borrow up to $7,000,000, with interest payable monthly. The agreement expires in May 2020. The interest rate on this line of credit per the bank agreement is the LIBOR rate plus 1.4%.

Borrowings under the line of credit agreement are secured by substantially all of the Company's assets. In addition, the Company is subject to certain loan covenants and pays a commitment fee. There were no outstanding balances on this line of credit at December 31, 2019.

The Company also maintains standby letters of credit with Union Bank, which reduces the amount available on the line of credit. As of December 31, 2019, the amount of standby letter of credit was $23,000.

NOTE 5 – Income Taxes

The provision from income taxes consists of the following:

Current expense:		
State tax	$	675,861
Deferred tax expense		44,100
Provision for income taxes	$	719,961

The reconciliation of the franchise tax rate to the effective tax rate is as follows at December 31, 2019:

State statutory franchise tax rate	$	759,107
Permanent differences		(39,146)
Provision for income taxes	$	719,961

The components of net deferred income tax assets consist of the following at December 31, 2019:

Deferred tax assets:		
Inventory	$	22,280
Accrued expenses		82,378
Research and development credits		458,187
Other items		12,486
		575,331
Deferred tax liabilities:		
Property and equipment		(63,302)
Net deferred tax assets	$	512,029

In assessing the valuation of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

ARCADIA, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – Related-Party and Other Transactions

The Company leases facilities in California, Connecticut, Nevada, and Arizona from Alpine Universal, Inc. The stockholders of Alpine Universal, Inc. are also the same stockholders of the Company. The Company's lease expense and fees to Alpine Universal, Inc. were approximately $3,320,000 for the year ended December 31, 2019. The multi-year lease terms for all these leases are included in the lease commitments described in Note 8.

The Company has also advanced funds to Alpine Universal, Inc. to assist with operations. The advances are interest free, with payment due as funds become available. As of December 31, 2019, Alpine owed the Company $200,000 recorded as note receivable on the balance sheet.

NOTE 7 – Company-Sponsored Pension Plan

The Company sponsors a retirement plan, which provides for employee contributions through salary reductions and employer matching contributions. The Company made employer matching contributions of $245,288 on qualified salaries for the year ended December 31, 2019. The Company matches 30% of an employee's contribution up to a maximum contribution rate of 5% of salary.

NOTE 8 – Commitments and Contingencies

The Company leases facilities across its geographic operating locations. These operating lease agreements expire through 2046. Certain leases are adjusted annually for increases in the consumer price index and require the Company to pay all executory costs (such as property taxes, maintenance and insurance).

NOTE 8 – Commitments and Contingencies (Continued)

Future minimum rental payments under noncancelable leases as of December 31, 2019 are as follows:

Year Ending December 31,	Related Party	Third Party	Total
2020	$ 3,003,720	$ 1,462,873	$ 4,466,593
2021	2,279,570	1,108,277	3,387,847
2022	1,762,320	865,917	2,628,237
2023	1,504,992	875,457	2,380,449
2024	1,504,992	884,998	2,389,990
Thereafter	10,237,408	7,582,626	17,820,034
	$ 24,293,002	$ 12,780,148	$ 33,073,150

Rent expense for facilities used in the Company's operations was $5,032,487 for the year ended December 31, 2019.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL DATA

To the Stockholders of
Arcadia, Inc.

We have audited the financial statements of Arcadia, Inc. as of and for the year ended December 31, 2019, and our report thereon dated April 27, 2020, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules shown on pages 18-19 are presented for purposes of additional analysis of the financial statements, and is not a required part of the 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 financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Windes, Inc.

Long Beach, California
April 27, 2020

ARCADIA, INC.

SUPPLEMENTAL SCHEDULE OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2019

COST OF GOODS SOLD	
Materials	
Direct materials	$ 100,604,777
Freight	5,989,582
	106,594,359
Labor	
Direct labor	34,779,742
Payroll taxes	2,305,556
Employee benefits	2,983,033
	40,068,331
Manufacturing Overhead	
Rent	4,942,487
Supplies	4,406,736
Utilities	2,715,308
Packing and crating	2,143,355
Repairs and maintenance	1,286,402
Depreciation	1,144,771
Insurance expense	895,857
Outside services	747,184
Waste and disposal costs	568,808
Truck and auto expense	339,258
Equipment rental	134,143
	19,324,309
TOTAL COST OF GOODS SOLD	$ 165,986,999

See Independent Auditors' Report on Supplementary Financial Data on Page 17.

ARCADIA, INC.

SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SELLING EXPENSES	
Payroll costs	$ 10,750,482
Bad-debt expense	483,040
Commissions	639,938
Advertising and promotion	380,118
Auto expense	347,885
Travel and entertainment	793,606
	13,395,069
GENERAL AND ADMINISTRATIVE EXPENSES	
Payroll and payroll related expenses	13,436,774
Professional and outside services	4,513,314
Taxes, fees and licenses	3,646,503
Legal and accounting	2,375,458
Warranty expenses	1,137,368
Office supplies and expense	787,601
Telephone and telex	483,968
Banking charges	294,180
Depreciation	286,300
Miscellaneous	237,947
Rent	90,000
	27,289,413
TOTAL OPERATING COSTS	$ 40,684,482

See Independent Auditors' Report on Supplementary Financial Data on Page 17.

Financial Statements
December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Arcadia, Inc.

We have audited the accompanying financial statements of Arcadia, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2020, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Arcadia, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Windes, Inc.

Long Beach, California
May 7, 2021

ARCADIA, INC.

BALANCE SHEET
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS	
Cash	$ 31,591,951
Accounts receivable, net of bad debt reserve of $393,037	32,287,611
Inventory	42,608,936
Prepaid expenses and other current assets	298,966
	106,787,464
PROPERTY AND EQUIPMENT, net	15,696,279
OTHER ASSETS	
Employee advances	288,514
Note receivable	200,000
Deposits	69,609
Deferred taxes	419,037
Goodwill	2,200,210
	3,177,370
TOTAL ASSETS	$ 125,661,113

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 6,625,531
Accrued wages and related employee benefits	2,329,191
Accrued expenses	4,849,510
Customer deposits and advances	10,064,778
	23,869,010
COMMITMENTS AND CONTINGENCIES (Note 8)	
STOCKHOLDERS' EQUITY	
Common stock, $100 stated value; authorized 10,000 shares,	
6,645 shares issued and outstanding	642,500
Additional paid-in-capital	2,696,876
Retained earnings	98,452,727
	101,792,103
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 125,661,113

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 125,001,115

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

ARCADIA, INC.

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

NET SALES	$ 245,553,760
COST OF GOODS SOLD	162,699,355
GROSS PROFIT	82,854,405
OPERATING EXPENSES	
Selling	13,709,355
General and administrative	23,570,375
	37,279,730
INCOME FROM OPERATIONS	45,574,675
OTHER EXPENSE	(128,122)
INCOME BEFORE TAXES	45,446,553
PROVISION FOR INCOME TAXES	(841,188)
NET INCOME	$ 44,605,365

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

ARCADIA, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
BALANCE AT JANUARY 1, 2020	$ 642,500	$ 2,696,876	$ 87,322,362	$ 90,661,738
NET INCOME	-	-	44,605,365	44,605,365
STOCKHOLDER DISTRIBUTIONS	-	-	(33,475,000)	(33,475,000)
BALANCE AT DECEMBER 31, 2020	$ 642,500	$ 2,696,876	$ 98,452,727	$ 101,792,103

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

ARCADIA, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$	44,605,365
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		1,640,027
Gain on asset dispositions		(13,400)
Frogiveness of employee advances		153,712
Change in bad debt reserve		(363,985)
Change in deferred taxes		92,992
Changes in operating assets and liabilities:		
Accounts receivable		(2,349,412)
Inventory		(1,528,316)
Prepaid expenses and other current assets		(74,303)
Deposits		45,927
Accounts payable		1,803,924
Accrued wages and related employee benefits		741,494
Accrued expenses		416,909
Customer deposits and advances		(109,096)
Net Cash Provided By Operating Activities		45,061,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(2,677,935)
Proceed from sale of property and equipment		13,400
Net change in employee advances		(114,406)
Net Cash Used In Investing Activities		(2,778,941)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to stockholders		(33,475,000)
Net Cash Used In Financing Activities		(33,475,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS		8,807,897
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		22,784,054
CASH AND CASH EQUIVALENTS, END OF YEAR	$	31,591,951
SUPPLEMENTAL DISCOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Income taxes	$	652,774

income taxes	$ [illegible]52,774

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

NOTE 1 – Description of Business

Arcadia, Inc. (the Company) manufactures finished doors, window frames, and building partitions. The Company's products are sold at wholesale to various contractors and subcontractors primarily throughout the United States to both the commercial and residential markets.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 assumed in preparing the financial statements. Principal areas requiring the use of estimates include determination of allowance for doubtful accounts, inventory (work in process), impairment of long-lived assets, deferred income taxes, warranty costs, and useful lives of property and equipment.

Common Control Leasing Arrangements

The Company has elected not to apply VIE guidance to Alpine Universal, Inc., a commonly controlled lessor (see Note 6), as the Company determined that the leasing arrangements meet the established criteria in ASC 810. ASC 810 permits a private company lessee (the reporting entity) to elect an accounting alternative not to apply variable interest entity (VIE) guidance to commonly controlled lessor entities if (a) the private company lessee and the lessor entities are under common control, (b) the private company lessee has a lease arrangement with the lessor entity, (c) substantially all of the activities between the private company lessee and the lessor entity are related to leasing activities (including supporting leasing activities) between those two entities, and (d) if the private company lessee explicitly guarantees or provides collateral for any obligation of the lessor entity related to the asset leased by the private company, and the principal amount of the obligation at inception of such guarantee or collateral arrangement does not exceed the value of the asset leased by the private company from the lessor entity.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of temporary cash deposits and trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers and their geographic dispersion. The Company requires no collateral from its customers and performs ongoing credit evaluations of its customers' financial condition.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Company currently places its cash deposits with high-credit quality financial institutions. At times, balances in the Company's cash account may exceed the federally insured limit; however, the Company has not experienced any losses with respect to these items.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. 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.

Inventory

The inventory of finished aluminum doors, window frames, materials used in finishing coatings for aluminum, and interior building partitions plus related components are stated at the lower of cost or net realizable value under the first-in, first-out (FIFO) method. Inventory on-hand at December 31, 2020 is comprised of:

Work-in-process	$ 2,724,404
Finished goods	39,884,532
	$ 42,608,936

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Buildings	40 years
Machinery and equipment	5-10 years
Office equipment, software, and furnishings	5-10 years
Vehicles	5 years
Leasehold improvements	10-15 years

Leasehold improvements are amortized on the straight-line method over the term of the lease or estimated useful life, whichever is shorter. Expenditures for repairs and maintenance are charged to operations as incurred, while renewals and betterments are capitalized.

Employee Advances

From time to time, the Company will advance employee loans to assist with the acquisition of residential property. The interest-free advances are paid back through payroll withholdings or upon the sale of the property.

Note Receivable

The Company has advanced funds to Alpine Universal, Inc. who share common stockholders as the Company. The advances are interest free and are paid back as funds become available.

Goodwill

Goodwill represents the excess of acquisition costs over the net fair values of identifiable assets acquired and liabilities assumed in business acquisitions. Goodwill is deemed to have an indefinite life and is not amortized, but rather tested annually for impairment. The Company has elected the accounting alternative available under ASC 350-20 to perform goodwill impairment triggering event evaluations only as of the end of each reporting period. As of December 31, 2020, the Company noted no impairment.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset's carrying value is adjusted to fair value. During the year ended December 31, 2020, the Company noted no impairment.

Revenue Recognition

Revenue is recognized when a contractual promise to a customer has been fulfilled by transferring control over the promised goods or services, principally at the time of shipment to or receipt of the products by the customer. The Company's contractual promises generally represent one performance obligation. However, if a contract includes more than one performance obligation, the consideration is allocated based on the standalone selling prices of the individual performance obligations. Such determination does not require significant judgment. The amount of revenue recognized is based on the expected consideration in exchange for the goods, taking into account contractually defined terms (e.g. trade discounts, cash discounts, and volume rebates) and excluding taxes or duty.

The following table presents disaggregated revenue recognized by service line for the year ended December 31, 2020:

Large painted/anodized – commercial projects	$ 90,166,623
Painted/anodized – aluminum storefronts	63,990,115
Painted/anodized – residential projects	32,782,149
Painted/anodized – interior partition products	25,570,090
Painted/anodized – doors and frames	10,495,271
Vinyl products	6,785,892
Painted/anodized – commercial sliding products	4,377,904
Painted/anodized – aluminum windows	3,773,362
Hardware	2,843,432
Painted/anodized – non-aluminum windows/doors	1,836,482
Scrap sales	1,616,664
Finishing services	1,315,776

$ 245,553,760

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Customer Deposits and Advances

Customer deposits and advances represents fees collected in advance from customers prior to the completion of the sale transactions. The fees will be recognized when the sale is completed or refunded to the customer if the sale is canceled prior to completion.

Warranty

The Company provides warranty coverage for defects for aluminum doors and window frames. Based on historical costs of warranty replacements and insurance coverages, management has estimated and recorded approximately $1,250,000 at December 31, 2020 for future warranty costs. The warranty accrual is included in accrued expenses on the balance sheet.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was $370,594 for the year ended December 31, 2020.

Income Taxes

The Company, with the consent of its stockholders, has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and also in those states where it operates. Under those provisions, the Company does not provide for or pay federal and certain state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their share of the Company's taxable income. The Company, as an S corporation, also pays a 1.5% state tax to California on its taxable income resulting from operations in California. The income produced from non-California operations is not subject to this tax. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes.

Any deferred tax assets and liabilities represent the future tax consequences of those differences and will either be taxable or deductible when the assets and liabilities are recovered or settled. As of December 31, 2020, the Company's potential deferred tax liabilities resulting from timing differences resulted in an immaterial amount.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are generally three and four years for federal and state filings, respectively. The Company has evaluated its tax positions for all open tax years and management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2020. If assessed, the Company classifies any interest and penalties recognized with a tax position as operating expenses in the statement of income.

Recently Adopted Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment* (ASU 2017-04). ASU 2017-04 provides guidance to simplify the subsequent measurement of goodwill by eliminating the Step 2 procedure from the goodwill impairment test. Under the updates in ASU 2017-04, an entity should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company chose to early adopt ASU 2017-04 for the year ended December 31, 2020. There was no significant impact upon the adoption of the new standard on the financial statements.

In March 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-03, *Intangibles – Goodwill and Other (Topic 350)*. The guidance in this ASU provides an accounting alternative to evaluate triggering events for goodwill impairment only as of the end of each reporting period, whether they report on an interim or annual basis. The Company chose to elect this accounting alternative as of December 31, 2020. There was no significant impact upon the adoption of the new standard and accounting alternative election on the financial statements.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Future Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

Management has evaluated subsequent events through May 7, 2021, the date on which the financial statements were available to be issued.

NOTE 3 – Property and Equipment

Property and equipment as of December 31, 2020 is composed of the following:

Buildings	$ 3,033,585
Machinery and equipment	16,473,766
Office equipment, software, and furnishings	827,641
Vehicles	2,402,742
Leasehold improvements	3,679,385
	26,417,119
Less accumulated depreciation	(12,984,347)
	13,432,772
Construction in progress	1,711,507
Land	552,000
	$ 15,696,279

NOTE 4 – Line of Credit

The Company has a line of credit with Union Bank of California. The Company may borrow up to $6,900,000, with interest payable monthly. The agreement expires in August 2022. The interest rate on this line of credit per the bank agreement is the LIBOR rate plus 1.4%.

Borrowings under the line of credit agreement are secured by substantially all of the Company's assets. In addition, the Company is subject to certain loan covenants and pays a commitment fee. There was no outstanding balance on this line of credit at December 31, 2020.

The Company also maintains standby letters of credit with Union Bank, which reduces the amount available on the line of credit. As of December 31, 2020, the amount of standby letter of credit was $23,000.

NOTE 5 – Income Taxes

The provision from income taxes consists of the following:

Current expense:		
State tax	$	748,196
Deferred tax expense		92,992
Provision for income taxes	$	841,188

The reconciliation of the franchise tax rate to the effective tax rate is as follows at December 31, 2020:

State statutory franchise tax rate	$	856,248
Temporary and permanent differences		(15,060)
Provision for income taxes	$	841,188

NOTE 5 – Income Taxes (Continued)

The components of net deferred income tax assets consist of the following at December 31, 2020:

Deferred tax assets:		
Inventory	$	21,029
Accrued expenses		102,029
Research and development credits		368,428
Other items		6,695
		498,181
Deferred tax liabilities:		
Property and equipment		(79,144)
Net deferred tax assets	$	419,037

In assessing the valuation of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

NOTE 6 – Related-Party and Other Transactions

The Company leases facilities in California, Connecticut, Nevada, and Arizona from Alpine Universal, Inc. The stockholders of Alpine Universal, Inc. are also the same stockholders of the Company. The Company's lease expense and fees to Alpine Universal, Inc. were approximately $3,619,000 for the year ended December 31, 2020. The multi-year lease terms for all these leases are included in the lease commitments described in Note 8.

The Company has also advanced funds to Alpine Universal, Inc. to assist with operations. The advances are interest free, with payment due as funds become available. As of December 31, 2020, Alpine owed the Company $200,000 recorded as note receivable on the balance sheet.

NOTE 7 – Company-Sponsored Pension Plan

The Company sponsors a retirement plan, which provides for employee contributions through salary reductions and employer matching contributions. The Company made employer matching contributions of $255,703 on qualified salaries for the year ended December 31, 2020. The Company matches 30% of an employee's contribution up to a maximum contribution rate of 5% of salary.

NOTE 8 – Commitments and Contingencies

The Company leases facilities across its geographic operating locations. These operating lease agreements expire through 2046.

Future minimum rental payments under noncancelable leases as of December 31, 2020 are as follows:

Year Ending December 31,	Related Party	Third Party	Total
2021	$ 3,468,600	$ 2,012,751	$ 5,481,351
2022	3,468,600	1,724,296	5,192,896
2023	3,103,800	1,570,722	4,674,522
2024	3,103,800	1,288,556	4,392,356
2025	3,103,800	1,198,246	4,302,046
Thereafter	20,418,850	10,574,420	30,993,270
	$ 36,667,450	$ 18,368,991	$ 55,036,441

Certain leases are adjusted annually for increases in the consumer price index and require the Company to pay all executory costs (such as property taxes, maintenance and insurance). Rent expense for facilities used in the Company's operations was $5,909,341 for the year ended December 31, 2020.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY FINANCIAL DATA

To the Stockholders of
Arcadia, Inc.

We have audited the financial statements of Arcadia, Inc. as of and for the year ended December 31, 2020, and our report thereon dated May 7, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules shown on pages 17-18 are presented for purposes of additional analysis of the financial statements, and is not a required part of the 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 financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Windes, Inc.

Long Beach, California
May 7, 2021

ARCADIA, INC.

SUPPLEMENTAL SCHEDULE OF COST OF GOODS SOLD
FOR THE YEAR ENDED DECEMBER 31, 2020

COST OF GOODS SOLD	
Materials	
Direct materials	$ 93,117,024
Freight	5,953,569
	99,070,593
Labor	
Direct labor	39,050,707
Payroll taxes	2,233,123
Employee benefits	2,952,927
	44,236,757
Manufacturing Overhead	
Rent	5,909,341
Supplies	3,858,751
Utilities	2,527,272
Packing and crating	2,352,428
Repairs and maintenance	1,275,455
Depreciation	1,370,141
Insurance expense	1,054,367
Outside services	1,630
Waste and disposal costs	440,969
Truck and auto expense	320,825
Equipment rental	280,826
	19,392,005
TOTAL COST OF GOODS SOLD	$ 162,699,355

See Independent Auditors' Report on Supplementary Financial Data on Page 16.

ARCADIA, INC.

SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

SELLING EXPENSES	
Payroll costs	$ 11,689,316
Commissions	558,292
Bad debt expense	397,009
Advertising and promotion	370,594
Travel and entertainment	349,506
Auto expense	344,638
	13,709,355
GENERAL AND ADMINISTRATIVE EXPENSES	
Payroll and payroll related expenses	14,323,102
Professional and outside services	3,547,418
Legal and accounting	1,694,299
Taxes, fees and licenses	1,250,339
Office supplies and expense	769,551
Warranty expenses	605,960
Telephone and telex	495,682
Banking charges	449,181
Depreciation	269,886
Miscellaneous	164,957
	23,570,375
TOTAL OPERATING COSTS	$ 37,279,730

See Independent Auditors' Report on Supplementary Financial Data on Page 16.

arcadia®

Financial Statements
September 30, 2021

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Stockholders of
Arcadia, Inc.

We have reviewed the accompanying financial statements of Arcadia, Inc., which comprise the balance sheet as of September 30, 2021, and the related statements of income, stockholders' equity, and cash flows for the period January 1, 2021 to September 30, 2021, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Arcadia, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

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

Supplementary Information

The supplementary information included in the supplementary financial data is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the representation of management, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the information. We have not audited the information and, accordingly, do not express an opinion on such information.

Windes, Inc.

ARCADIA, INC.

BALANCE SHEET
SEPTEMBER 30, 2021

ASSETS

CURRENT ASSETS	
Cash	$ 25,418,398
Accounts receivable, net of bad debt reserve of $300,395	30,626,120
Inventory	58,665,299
Prepaid expenses and other current assets	284,882
	114,994,699
PROPERTY AND EQUIPMENT, net	17,171,332
OTHER ASSETS	
Employee advances	172,165
Deposits	98,757
Deferred taxes	329,294
Goodwill	2,200,210
	2,800,426
TOTAL ASSETS	$ 134,966,457

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 10,567,836
Accrued wages and related employee benefits	3,653,709
Accrued expenses	4,336,311
Customer deposits and advances	9,781,228
	28,339,084
COMMITMENTS AND CONTINGENCIES (Note 8)	
STOCKHOLDERS' EQUITY	
Common stock, $100 stated value; authorized 10,000 shares, 6,645 shares issued and outstanding	642,500
Additional paid-in-capital	2,696,876
Retained earnings	103,287,997
	106,627,373
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 134,966,457

ARCADIA, INC.

STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

NET SALES	$ 184,042,037
COST OF GOODS SOLD	115,504,310
GROSS PROFIT	68,537,727
OPERATING EXPENSES	
Selling	9,067,059
General and administrative	17,642,138
	26,709,197
INCOME FROM OPERATIONS	41,828,530
OTHER INCOME	484,192
INCOME BEFORE TAXES	42,312,722
PROVISION FOR INCOME TAXES	(477,452)
NET INCOME	$ 41,835,270

ARCADIA, INC.

STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
BALANCE AT JANUARY 1, 2021	$ 642,500	$ 2,696,876	$ 98,452,727	$ 101,792,103
NET INCOME	-	-	41,835,270	41,835,270
STOCKHOLDER DISTRIBUTIONS	-	-	(37,000,000)	(37,000,000)
BALANCE AT SEPTEMBER 30, 2021	$ 642,500	$ 2,696,876	$ 103,287,997	$ 106,627,373

ARCADIA, INC.

STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 41,835,270
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	1,376,245
Loss on asset dispositions	23,075
Change in bad debt reserve	244,242
Change in deferred taxes	89,743
Changes in operating assets and liabilities:	
Accounts receivable	1,417,249
Inventory	(16,056,363)
Prepaid expenses and other current assets	14,084
Deposits	(29,148)
Accounts payable	3,942,305
Accrued wages and related employee benefits	1,324,518
Accrued expenses	(513,199)
Customer deposits and advances	(283,550)
Net Cash Provided By Operating Activities	33,384,471
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(2,875,373)
Proceed from sale of property and equipment	1,000
Issuance of employee advances	(3,700)
Repayment of employee advances	120,049
Repayment of note receivable	200,000
Net Cash Used In Investing Activities	(2,558,024)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distributions to stockholders	(37,000,000)
Net Cash Used In Financing Activities	(37,000,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,173,553)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	31,591,951
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 25,418,398
SUPPLEMENTAL DISCOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Income taxes	$ 630,565

See Independent Accountants' Review Report

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

ARCADIA, INC.

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – Description of Business

Arcadia, Inc. (the Company) manufactures finished doors, window frames, and building partitions. The Company's products are sold at wholesale to various contractors and subcontractors primarily throughout the United States to both the commercial and residential markets.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 assumed in preparing the financial statements. Principal areas requiring the use of estimates include determination of allowance for doubtful accounts, inventory (work in process), impairment of long-lived assets, deferred income taxes, warranty costs, and useful lives of property and equipment.

Common Control Leasing Arrangements

The Company has elected not to apply VIE guidance to Alpine Universal, Inc., a commonly controlled lessor (see Note 6), as the Company determined that the leasing arrangements meet the established criteria in ASC 810. ASC 810 permits a private company lessee (the reporting entity) to elect an accounting alternative not to apply variable interest entity (VIE) guidance to commonly controlled lessor entities if (a) the private company lessee and the lessor entities are under common control, (b) the private company lessee has a lease arrangement with the lessor entity, (c) substantially all of the activities between the private company lessee and the lessor entity are related to leasing activities (including supporting leasing activities) between those two entities, and (d) if the private company lessee explicitly guarantees or provides collateral for any obligation of the lessor entity related to the asset leased by the private company, and the principal amount of the obligation at inception of such guarantee or collateral arrangement does not exceed the value of the asset leased by the private company from the lessor entity.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of temporary cash deposits and trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the Company's large number of customers and their geographic dispersion. The Company requires no collateral from its customers and performs ongoing credit evaluations of its customers' financial condition.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The Company currently places its cash deposits with high-credit quality financial institutions. At times, balances in the Company's cash account may exceed the federally insured limit; however, the Company has not experienced any losses with respect to these items.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. 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.

Inventory

The inventory of finished aluminum doors, window frames, materials used in finishing coatings for aluminum, and interior building partitions plus related components are stated at the lower of cost or net realizable value under the first-in, first-out (FIFO) method. Inventory on-hand at September 30, 2021 is comprised of:

Work-in-process	$ 3,715,233
Finished goods	54,950,066
	$ 58,665,299

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Buildings	40 years
Machinery and equipment	5-10 years
Office equipment, software, and furnishings	5-10 years
Vehicles	5 years
Leasehold improvements	10-15 years

Leasehold improvements are amortized on the straight-line method over the term of the lease or estimated useful life, whichever is shorter. Expenditures for repairs and maintenance are charged to operations as incurred, while renewals and betterments are capitalized.

Employee Advances

From time to time, the Company will advance employee loans to assist with the acquisition of residential property. The interest-free advances are paid back through payroll withholdings or upon the sale of the property.

Goodwill

Goodwill represents the excess of acquisition costs over the net fair values of identifiable assets acquired and liabilities assumed in business acquisitions. Goodwill is deemed to have an indefinite life and is not amortized, but rather tested annually for impairment. The Company has elected the accounting alternative available under ASC 350-20 to perform goodwill impairment triggering event evaluations only as of the end of each reporting period. As of September 30, 2021, the Company noted no impairment.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset's carrying value is adjusted to fair value. For the period January 1, 2021 to September 30, 2021, the Company noted no impairment.

Revenue Recognition

Revenue is recognized when a contractual promise to a customer has been fulfilled by transferring control over the promised goods or services, principally at the time of shipment to or receipt of the products by the customer. The Company's contractual promises generally represent one performance obligation. However, if a contract includes more than one performance obligation, the consideration is allocated based on the standalone selling prices of the individual performance obligations. Such determination does not require significant judgment. The amount of revenue recognized is based on the expected consideration in exchange for the goods, taking into account contractually defined terms (e.g. trade discounts, cash discounts, and volume rebates) and excluding taxes or duty. The following table presents disaggregated revenue recognized by service line for the period January 1, 2021 to September 30, 2021:

Large painted/anodized – commercial projects	$ 64,560,254
Painted/anodized – aluminum storefronts	49,848,078
Painted/anodized – residential projects	28,229,147
Painted/anodized – interior partition products	17,276,765
Painted/anodized – doors and frames	8,902,220
Vinyl products	3,647,886
Painted/anodized – commercial sliding products	2,810,465
Painted/anodized – aluminum windows	2,284,348
Hardware	2,141,997
Scrap sales	1,802,050
Finishing services	1,252,787
Wood	1,215,041
Painted/anodized – non-aluminum windows/doors	70,999

$ 184,042,037

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Customer Deposits and Advances

Customer deposits and advances represents fees collected in advance from customers prior to the completion of the sale transactions. The fees will be recognized when the sale is completed or refunded to the customer if the sale is canceled prior to completion.

Warranty

The Company provides warranty coverage for defects for aluminum doors and window frames. Based on historical costs of warranty replacements and insurance coverages, management has estimated and recorded approximately $1,250,000 at September 30, 2021 for future warranty costs. The warranty accrual is included in accrued expenses on the balance sheet.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was $211,370 for the period January 1, 2021 to September 30, 2021.

Income Taxes

The Company, with the consent of its stockholders, has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and also in those states where it operates. Under those provisions, the Company does not provide for or pay federal and certain state corporate income taxes on its taxable income. Instead, the stockholders are liable for individual federal and state income taxes on their share of the Company's taxable income. The Company, as an S corporation, also pays a 1.5% state tax to California on its taxable income resulting from operations in California. The income produced from non-California operations is not subject to this tax. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes.

Any deferred tax assets and liabilities represent the future tax consequences of those differences and will either be taxable or deductible when the assets and liabilities are recovered or settled.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are generally three and four years for federal and state filings, respectively. The Company provides for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by the authoritative guidance on income taxes. Amounts for uncertain tax positions are adjusted in periods when new information becomes available or when positions are effectively settled. If assessed, the Company classifies any interest and penalties recognized with a tax position as operating expenses in the statement of income.

Future Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

Subsequent to the nine month period ended September 30, 2021, the Company completed a reorganization and converted the Company to Arcadia Products LLC, a Colorado limited liability company. On December 16, 2021, an agreement was reached with DMC Global, Inc. (DMC) to acquire 60% of Arcadia Products LLC for cash and stock consideration. On December 23, 2021, the acquisition was completed pursuant to an equity purchase agreement by and among DMC, Arcadia Products LLC, the shareholders of Arcadia, Inc. and certain other parties. As part of the acquisition, a member of Arcadia Products LLC has a put option requiring DMC to acquire the remaining 40% interest of Arcadia Products LLC after three years of the original acquisition for cash or a combination of cash and preferred stock in DMC. In addition, DMC has a call option to acquire the remaining 40% interest of Arcadia Products LLC after three years of the original acquisition in an all cash transaction.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events (Continued)

On February 7, 2022, the Company received notice from the IRS that its S-Corporation election was terminated under IRC Section 1362(g) effective November 18, 2020. The termination of the Company's S-Corporation election would result in the Company being taxed as a C-Corporation, which would generate a tax provision of approximately $12,810,000 and an a change in the Company's deferred tax position from a tax asset to a tax liability of approximately $460,000. Management believes the termination was an error and preliminary discussion with the IRS yielded no basis or rationale for the termination. The Company strongly believes the termination will be overturned to allow the Company to continue to be taxed as a S-Corporation. Therefore, no accrual for the additional tax liability or change in deferred taxes have been recognized in the financial statements. To the extent the final tax outcome of these matters is different than the estimates recorded, the Company would then adjust its tax reserves or unrecognized tax benefits in the period that this information becomes known.

Management has evaluated subsequent events through February 18, 2022, the date on which the financial statements were available to be issued for the nine month period ended September 30, 2021 and except for the items noted above, management determined there was no other subsequent event requiring disclosure in the financial statements.

NOTE 3 – Property and Equipment

Property and equipment as of September 30, 2021 is composed of the following:

Buildings	$ 3,033,585
Machinery and equipment	19,276,303
Office equipment, software, and furnishings	849,772
Vehicles	2,421,312
Leasehold improvements	5,325,746
	30,906,718
Less accumulated depreciation	(14,296,974)
	16,609,744
Construction in progress	9,588
Land	552,000

$ 17,171,332

NOTE 4 – Line of Credit

The Company has a line of credit with Union Bank of California. The Company may borrow up to $6,900,000, with interest payable monthly. The agreement expires in August 2022. The interest rate on this line of credit per the bank agreement is the LIBOR rate plus 1.4%.

Borrowings under the line of credit agreement are secured by substantially all of the Company's assets. In addition, the Company is subject to certain loan covenants and pays a commitment fee. There was no outstanding balance on this line of credit at September 30, 2021.

The Company also maintains standby letters of credit with Union Bank, which reduces the amount available on the line of credit. As of September 30, 2021 the amount of standby letter of credit was $23,000. Subsequent to year-end, the letters of credit were cancelled.

NOTE 5 – Income Taxes

The provision from income taxes consists of the following:

Current expense:		
State tax	$	387,709
Deferred tax expense		89,743
Provision for income taxes	$	477,452

The reconciliation of the franchise tax rate to the effective tax rate is as follows at September 30, 2021:

State statutory franchise tax rate	$	619,297
Temporary and permanent differences		(141,845)
Provision for income taxes	$	477,452

NOTE 5 – Income Taxes (Continued)

The components of net deferred income tax assets consist of the following at September 30, 2021:

Deferred tax assets:		
Inventory	$	26,230
Accrued expenses		71,348
Research and development credits		296,501
Other items		4,797
		398,876
Deferred tax liabilities:		
Property and equipment		(69,582)
Net deferred tax assets	$	329,294

In assessing the valuation of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

NOTE 6 – Related-Party and Other Transactions

The Company leases facilities in California, Connecticut, Nevada, and Arizona from Alpine Universal, Inc. The stockholders of Alpine Universal, Inc. are also the same stockholders of the Company. The Company's lease expense and fees to Alpine Universal, Inc. were approximately $2,601,000 for the period January 1, 2021 to September 30, 2021. The multi-year lease terms for all these leases are included in the lease commitments described in Note 8.

NOTE 7 – Company-Sponsored Pension Plan

The Company sponsors a retirement plan, which provides for employee contributions through salary reductions and employer matching contributions. The Company made employer matching contributions of $183,096 on qualified salaries for the period January 1, 2021 to September 30, 2021. The Company matches 30% of an employee's contribution up to a maximum contribution rate of 5% of salary.

NOTE 8 – Commitments and Contingencies

The Company leases facilities across its geographic operating locations. These operating lease agreements expire through 2046. Future minimum rental payments under noncancelable leases as of September 30, 2021 are as follows:

Year Ending December 31,	Related Party	Third Party	Total
2021*	$ 513,130	$ 887,988	$ 1,401,118
2022	3,468,600	2,387,487	5,856,087
2023	3,103,800	2,004,112	5,107,912
2024	3,103,800	1,730,263	4,834,063
2025	3,103,800	1,619,674	4,723,474
Thereafter	20,418,850	11,641,833	32,060,683
	$ 33,711,980	$ 20,271,357	$ 53,983,337

*Represents lease payments for the remaining three-month period ending December 31, 2021

Certain leases are adjusted annually for increases in the consumer price index and require the Company to pay all executory costs (such as property taxes, maintenance and insurance).

Rent expense for facilities used in the Company's operations was $4,331,988 for the period January 1, 2021 to September 30, 2021.

SUPPLEMENTARY FINANCIAL DATA

ARCADIA, INC.

SUPPLEMENTAL SCHEDULE OF COST OF GOODS SOLD
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

COST OF GOODS SOLD	
Materials	
Direct materials	$ 62,017,370
Freight	4,650,955
	66,668,325
Labor	
Direct labor	28,615,615
Payroll taxes	1,655,855
Employee benefits	2,230,359
	32,501,829
Manufacturing Overhead	
Rent	4,331,988
Supplies	3,097,132
Utilities	2,170,383
Packing and crating	2,077,013
Insurance expense	1,532,223
Depreciation	1,179,873
Repairs and maintenance	1,008,003
Truck and auto expense	378,974
Waste and disposal costs	275,246
Equipment rental	243,358
Outside services	39,963
	16,334,156
TOTAL COST OF GOODS SOLD	$ 115,504,310

ARCADIA, INC.

SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

SELLING EXPENSES	
Payroll costs	$ 8,235,890
Travel and entertainment	388,025
Auto expense	269,770
Advertising and promotion	211,370
Commissions	206,246
Net recovery of bad debt	(244,242)
	9,067,059
GENERAL AND ADMINISTRATIVE EXPENSES	
Payroll and payroll related expenses	9,851,176
Professional and outside services	3,858,510
Legal and accounting	1,453,051
Taxes, fees and licenses	723,098
Office supplies and expense	520,351
Telephone and telex	399,940
Banking charges	366,989
Depreciation	196,372
Miscellaneous	193,703
Warranty expenses	78,948
	17,642,138
TOTAL OPERATING COSTS	$ 26,709,197

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On December 23, 2021, DMC Global Inc. (“DMC”, "we", "us", "our", or the "Company") completed its previously-disclosed acquisition (the “Acquisition”) of 60% of Arcadia Products, LLC, a Colorado limited liability company that resulted from the conversion of Arcadia, Inc., a California corporation, following a tax reorganization (“Arcadia”). The Acquisition was completed pursuant to an equity purchase agreement by and among the Company, Arcadia, the shareholders of Arcadia, Inc. and certain other parties (the “Equity Purchase Agreement”) entered into on December 16, 2021. At the closing of the Acquisition, the Company paid closing consideration of $261 million in cash (excluding $7.6 million in acquired cash) and 551,458 shares of its common stock, par value $0.05 per share. A portion of the cash consideration was placed into escrow and is subject to certain post-closing adjustments.

On December 23, 2021, in connection with the Arcadia acquisition, we entered into an Amended and Restated Credit and Security Agreement with a syndicate of four banks, led by KeyBank National Association (“credit facility”), amending and restating our prior credit agreement dated March 8, 2018. The new credit facility has a 5-year maturity expiring on December 23, 2026 and provides for a maximum commitment amount of $200 million, which includes a $50 million revolving credit facility and a $150 million fully funded term loan facility, which is amortizable at 10% of principal per year with a balloon payment for the outstanding balance upon the credit facility maturity date. The credit facility has an accordion feature to increase the commitments by $100,000 under the revolving loan class and/or by adding a term loan subject to approval by applicable lenders. The credit facility is secured by the assets of DMC including accounts receivable, inventory, and fixed assets, including Arcadia and its subsidiary, as well as guarantees and share pledges by DMC and its subsidiaries.

DMC acquired Arcadia as part of its strategy of building a diversified portfolio of industry-leading businesses with differentiated products and services. Arcadia is a leading U.S. supplier of architectural building products, which include exterior and interior framing systems, curtain walls, windows, doors, interior partitions, and highly engineered windows and doors for the high-end residential real estate market.

Assets acquired and liabilities assumed have been recorded at their fair values. Certain fair values were determined by management using the assistance of third-party valuation specialists. The valuation methods used to determine the fair value of intangible assets included the income approach—excess earnings method for customer relationships and the income approach—relief from royalty method for the trade name acquired. A number of assumptions and estimates were involved in the application of these valuation methods, including revenue forecasts, costs of revenues, operating expenses, tax rates, forecasted capital expenditures, customer attrition rate, discount rates and working capital changes.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 and the nine months ended September 30, 2021 gives effect to the Acquisition as if it had occurred on January 1, 2020, the beginning of the Company's fiscal year. The historical results have been adjusted to give effect to pro forma adjustments, i.e. material charges, credits, and related tax effects, that are: 1) directly attributable to the Acquisition; 2) factually supportable; and 3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information presented herein is based on the assumptions and adjustments described in the accompanying notes. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed combined financial information have been made.

The unaudited pro forma condensed combined financial information is derived from and should be read in conjunction with the Company's historical audited financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and the historical audited financial statements and unaudited interim financial statements of Arcadia included as Exhibit 99.1, Exhibit 99.2, and Exhibit 99.3 in this Form 8-K/A.

The allocation of the purchase price as reflected in the unaudited pro forma condensed combined financial information was based on a preliminary valuation of the assets acquired and liabilities assumed, and the accounting is subject to revision as further analyses are completed and additional information about the fair value of assets acquired and liabilities assumed becomes available.

The unaudited pro forma condensed combined financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved if Arcadia had been acquired and the other transactions had been completed on the date or for the periods presented, and does not purport to indicate the results of operations as of any future date or for any future period.

All figures are in thousands unless otherwise noted.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2020
(In thousands, except share and per share amounts)

	Historical		Pro Forma		
	DMC Global Inc	Arcadia	Transaction Accounting Adjustments	Notes	Pro Forma Combined
Net sales	$ 229,161	$ 245,554	$ 410	(a)	$ 475,125
Cost of products sold	172,308	162,699	284	(b)	335,291
Gross profit	56,853	82,855	126		139,834
Costs and expenses					
General and administrative expenses	29,150	23,570	(560)	(c)	52,160
Selling and distribution expenses	23,863	13,709	(609)	(d)	36,963
Amortization of purchased intangible assets	1,449	—	37,033	(e)	38,482
Restructuring expenses, net and asset impairments	3,387	—	—		3,387
Total costs and expenses	57,849	37,279	35,864		130,992
Operating (loss) income	(996)	45,576	(35,738)		8,842
Other income (expense)					
Interest expense, net	(731)	—	(3,521)	(f)	(4,252)
Other expense, net	(233)	(128)	—		(361)
(Loss) income before income taxes	(1,960)	45,448	(39,259)		4,229
Income tax (benefit) provision	(548)	841	(9,422)	(g)	(9,129)
Net (loss) income	$ (1,412)	$ 44,607	$ (29,837)		$ 13,358
Net income attributable to redeemable noncontrolling interest			5,908	(h)	5,908
Net (loss) income attributable to DMC Global Inc. stockholders	$ (1,412)	$ 44,607	$ (35,745)		$ 7,450
Net (loss) income per share attributable to DMC Global Inc. stockholders:					
Basic	$ (0.10)				$ 0.49
Diluted	$ (0.10)				$ 0.49
Weighted-average shares outstanding:					
Basic	14,790,296		551,458	(i)	15,341,754
Diluted	14,790,296		551,458	(i)	15,341,754

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(In thousands, except share and per share amounts)

	Historical		Pro Forma		
	DMC Global Inc	Arcadia	Transaction Accounting Adjustments	Notes	Pro Forma Combined
Net sales	$ 188,271	$ 184,042	$ (350)	(a)	$ 371,963
Cost of products sold	141,725	115,504	3,178	(b)	260,407
Gross profit	46,546	68,538	(3,528)		111,556
Costs and expenses					
General and administrative expenses	26,121	17,642	(746)	(c)	43,017
Selling and distribution expenses	16,380	9,067	384	(d)	25,831
Amortization of purchased intangible assets	823	—	11,650	(e)	12,473
Restructuring expenses, net and asset impairments	127	—			127
Total costs and expenses	43,451	26,709	11,288		81,448
Operating income (loss)	3,095	41,829	(14,816)		30,108
Other income (expense)					
Interest expense, net	(230)	—	(2,622)	(f)	(2,852)
Other income, net	304	484	—		788
Income (loss) before income taxes	3,169	42,313	(17,438)		28,044
Income tax provision (benefit)	610	477	(4,185)	(g)	(3,098)
Net income (loss)	$ 2,559	$ 41,836	$ (13,253)		$ 31,142
Net income attributable to redeemable noncontrolling interest			11,433	(h)	11,433
Net income (loss) attributable to DMC Global Inc. stockholders	$ 2,559	$ 41,836	$ (24,686)		$ 19,709
Net income (loss) per share attributable to DMC Global Inc. stockholders:					
Basic	$ 0.15				$ 1.11
Diluted	$ 0.15				$ 1.11
Weighted-average shares outstanding:					
Basic	17,239,306		551,458	(i)	17,790,764
Diluted	17,250,525		551,458	(i)	17,801,983

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Basis of Presentation

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 and for the nine months ended September 30, 2021 ("pro formas") have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission for the purposes of inclusion in DMC's Current Report on Form 8-K prepared and furnished in connection with the Acquisition. Certain information and disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, we believe that the disclosures provided herein are adequate to make the information presented not misleading.

The pro formas were derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q as of and for the nine months ended September 30, 2021, historical audited statement of operations of Arcadia for the year ended December 31, 2020 and the historical unaudited statement of operations of Arcadia for the nine months ended September 30, 2021. The pro formas have been prepared as if the Acquisition had occurred on January 1, 2020, the first day of our fiscal year.

An unaudited pro forma condensed combined balance sheet has not been presented herein as the Acquisition has already been fully reflected in the consolidated balance sheet included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 1, 2022.

The pro formas are provided for informational purposes only and do not purport to represent what the results of operations would actually have been if the Acquisition had occurred as of the date indicated nor are they necessarily indicative of the future results of the combined company.

2. Purchase Consideration and Preliminary Purchase Price Allocation

We have accounted for the Acquisition under the acquisition method of accounting in accordance with the authoritative guidance on business combinations under the provisions of Accounting Standards Codification 805, Business Combinations ("ASC 805"). The purchase price allocation is considered preliminary, and additional adjustments may be recorded during the measurement period in accordance with ASC 805. The total consideration transferred is still subject to potential working capital adjustment and the preliminary purchase price allocation related to the assets acquired and liabilities assumed may be adjusted as a result of the finalization of our procedures, primarily as it pertains to the valuation of certain long-lived assets. Differences between these preliminary estimates and the final purchase accounting may occur, and these differences could be material.

The following table summarizes the components of the preliminary estimated purchase price and related allocation:

Cash, including cash acquired	$	268,654
Equity		21,716
Total fair value of consideration transferred		290,370
Assets acquired:		
Cash and cash equivalents		7,654
Accounts receivable		31,456
Inventories		60,503
Prepaid expenses and other		2,438
Property, plant and equipment		17,323
Goodwill		141,266
Intangible assets		254,500
Other long-term assets		122
Total assets acquired		515,262
Liabilities assumed:		
Accounts payable		8,792
Other current liabilities		22,520
Total liabilities assumed		31,312
Redeemable noncontrolling interest		193,580
Total assets acquired and liabilities assumed	$	290,370

Please see further discussion of the preliminary purchase price allocation in Note 3 within Item 8 — Financial Statements and Supplementary Data of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

3. Pro Forma Adjustments

The following describes the pro forma adjustments related to the Acquisition that have been included in the pro formas. The pro forma adjustments are based on preliminary estimates that could change significantly as additional information is obtained.

(a) Represents the estimated impact of aligning accounting policies of Arcadia to those of the Company as it pertains to revenue recognition.

(b) Represents the estimated impact of aligning accounting policies of Arcadia to those of the Company as it pertains to inventory valuation. Additional labor costs due to anticipated increases in both headcount and wage rates have also been estimated combined with additional depreciation expense on incremental capital expenditures.

(c) Represents the elimination of non-recurring acquisition related transaction costs that were incurred by Arcadia partially offset by the estimated impact of additional general and administrative expenses, primarily additional headcount within finance and information technology.

(d) Represents the estimated impact of aligning accounting policies of Arcadia to those of the Company, including certain changes in accrual estimate assumptions.

(e) Represents the preliminary estimate of amortization expense related to the acquired identifiable intangible assets calculated as if the Acquisition had occurred on January 1, 2020.

The significant intangible assets identified in the purchase price allocation discussed above include customer relationships, trade name, and customer backlog, which are amortized over their estimated useful lives.

The following table presents the estimated fair values and preliminary useful lives established of the identifiable intangible assets acquired:

	Estimated Fair Value	Weighted-Average Useful Life (years)
Trade Name	$ 22,000	15
Customer Relationships	211,000	15
Customer backlog	21,500	0.58
	$ 254,500	

(f) Represents the estimated additional annual interest expense resulting from interest on the Term Loan used to assist in financing the Acquisition, as well as the amortization of the related debt issuance costs. The interest rate assumed for purposes of the unaudited pro formas was 2.665%, which is based upon the Adjusted Daily Simple Secured Overnight Financing Rate (SOFR) plus an applicable margin specified in the credit facility.

The incremental interest expense is partially offset by the reversal of interest expense and amortization of historical debt issuance costs recorded under the Company's previously executed revolving credit facility entered into on March 8, 2018 which terminated as a result of the borrowing to finance the Acquisition.

(g) The pro forma tax adjustment was calculated by applying an estimated blended statutory tax rate of 24% to the pretax loss of the pro forma adjustments for the year ended December 31, 2020 and the nine months ended September 30, 2021, respectively. The unaudited pro forma tax benefit does not purport to represent what our income tax would have been if the acquisition had occurred on January 1, 2020. Additionally, we have not reflected impacts associated with the tax reorganization of Arcadia from a California corporation to a Colorado limited liability company given the complexity of the related analysis.

(h) Represents the 40% redeemable noncontrolling interest share of (1) Arcadia's historical net income and (2) pro forma adjustments.

(i) The unaudited pro forma basic and diluted earnings per share calculations are based on the basic and diluted weighted-average shares outstanding of DMC, after giving effect to the issuance of shares of common stock issued as Acquisition consideration as if the shares were issued on January 1, 2020. The pro forma basic and diluted earnings per share does not give effect to any equity awards that may be granted after the date of this filing. In addition, the pro forma basic and diluted earnings per share does not give effect to the adjustment of the redeemable noncontrolling interest that was recorded during the fourth quarter of 2021. If the adjustment that was recorded during the fourth quarter of $4,424 were to be incorporated, both basic and diluted earnings per share as disclosed herein would be reduced by $0.29 and $0.25 per share for the year ended December 31, 2020 and the nine months ended September 30, 2021, respectively. The adjustment of the redeemable noncontrolling interest that was recorded during the fourth quarter of 2021 is explained in Note 3 within Item 8 — Financial Statements and Supplementary Data of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.
The unaudited pro forma basic and diluted earnings per share was calculated as follows:

	Year ended December 31, 2020	Nine months ended September 30, 2021
Pro forma weighted-average shares outstanding (Basic)		
Historical weighted-average shares outstanding	14,790,296	17,239,306
Shares of common stock issued as part of the Acquisition	551,458	551,458
Pro forma basic weighted-average shares outstanding	15,341,754	17,790,764
Pro forma weighted-average shares outstanding (Diluted)		
Historical weighted-average shares outstanding	14,790,296	17,250,525
Shares of common stock issued as part of the Acquisition	551,458	551,458
Pro forma diluted weighted-average shares outstanding	15,341,754	17,801,983
Pro forma earnings per share		
Pro forma net income (in thousands)	$ 7,450	$ 19,709
Pro forma basic earnings per share	$ 0.49	$ 1.11
Pro forma diluted earnings per share	$ 0.49	$ 1.11