

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

**FORM 10-K/A
(Amendment No. 1)**

(Mark One)

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

For the fiscal year ended September 30, 2014

OR

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

For the transition period from _____ to _____

Commission file number 811-000000

GLADSTONE CAPITAL CORPORATION
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

1521 Westbranch Drive, Suite 100
McLean, Virginia
(Address of principal executive offices)

54-2040781
(I.R.S. Employer
Identification No.)

22102
(Zip Code)

(703) 287-5800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each Class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 par value per share	NASDAQ Global Select Market
6.75% Series 2021 Term Preferred Stock, \$0.001 par value per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Act). YES NO .

The aggregate market value of the voting common stock held by non-affiliates of the Registrant on March 31, 2014, based on the closing price on that date of \$10.08 on the NASDAQ Global Select Market, was \$198,636,759. For the purposes of calculating this amount only, all directors and executive officers of the Registrant have been treated as

affiliates. There were 21,000,160 shares of the Registrant's common stock, \$0.001 par value per share, outstanding as of November 11, 2014.

Documents Incorporated by Reference. Portions of the Registrant's definitive proxy statement filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the Registrant's 2014 Annual Meeting of Stockholders are incorporated by reference into Part III of the Form 10-K. Such proxy statement was filed on December 12, 2014.

EXPLANATORY NOTE

Gladstone Capital Corporation (“we” or the “Company”) is filing this Amendment No. 1 (the “Amendment”) to our Annual Report on Form 10-K for the fiscal year ended September 30, 2014, which was filed with the Securities and Exchange Commission (the “SEC”) on November 12, 2014 (the “Form 10-K”), to provide separate audited financial statements for our unconsolidated portfolio company, RBC Acquisition Corp. and Subsidiary (“RBC”), as of and for the fiscal year ended September 30, 2014 (Exhibit 99.6) and separate unaudited financial statements for RBC as of and for the fiscal years ended September 30, 2013 and 2012 (Exhibit 99.7), in Part IV, Item 15.

We have determined that this unconsolidated portfolio company has met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which we are required, pursuant to Rule 3-09 of Regulation S-X, to attach separate financial statements as exhibits to the Form 10-K. In accordance with Rule 3-09(b)(1), the separate financial statements of RBC are being filed as an amendment to the Form 10-K, within 90 days after the end of our fiscal year.

This Amendment also updates, amends and supplements Part IV, Item 15 of the Form 10-K to to include, among other items, the filing of new Exhibits 31.1, 31.2, 32.1 and 32.2, certifications of our Chief Executive Officer and Chief Financial Officer, pursuant to Rule 13a-14(a) and (b).

No other changes have been made to the Form 10-K other than that described above. This Amendment does not reflect subsequent events occurring after the original filing date of the Form 10-K or modify or update in any way disclosures made in the Form 10-K. Among other things, forward-looking statements made in the Form 10-K have not been revised to reflect events that occurred or facts that became known to us after filing of the Form 10-K, and such forward-looking statements should be read in their historical context. Furthermore, this Amendment should be read in conjunction with the Form 10-K and with our filings with the SEC subsequent to the Form 10-K.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

a. DOCUMENTS FILED AS PART OF THIS REPORT

3. Exhibits

The following exhibits are filed as part of this report or are hereby incorporated by reference to exhibits previously filed with the SEC:

- 3.1 Articles of Amendment and Restatement to the Articles of Incorporation, incorporated by reference to Exhibit 99.a.2 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
- 3.2 Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, including Appendix A thereto relating to the Term Preferred Shares, 7.125% Series 2016, incorporated by reference to Exhibit 2.a.2 to Post-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-162592), filed October 31, 2011.
- 3.3 Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, including Appendix A thereto, incorporated by reference to Exhibit 3.3 to Form 8-A (File No. 001-35332), filed May 15, 2014.
- 3.4 Certificate of Correction to Articles Supplementary Establishing and Fixing the Rights and Preferences of Term Preferred Shares, 6.75% Series 2021, incorporated by reference to Exhibit 3.4 to the Quarterly Report on Form 10-Q (File No. 814-000000), filed July 30, 2014.
- 3.5 By-laws, incorporated by reference to Exhibit 99.b to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
- 3.6 Amendment to By-laws, incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed February 17, 2004.
- 3.7 Second Amendment to By-laws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed July 10, 2007.
- 3.8 Third Amendment to By-laws, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed June 10, 2011.
- 4.1 Form of Certificate for Common Stock, incorporated by reference to Exhibit 99.d.2 to Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-63700), filed August 23, 2001.
- 4.2 Form of Certificate for 6.75% Series 2021 Term Preferred Stock, incorporated by reference to Exhibit 4.3 to Form 8-A (File No. 001-35332), filed May 15, 2014.
- 10.1 Stock Transfer Agency Agreement between the Registrant and The Bank of New York, incorporated by reference to Exhibit 99.k.1 to Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2 (File No. 333-63700), filed July 27, 2001.
- 10.2 Custody Agreement between the Registrant and The Bank of New York, dated as of May 5, 2006, incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed August 1, 2006.
- 10.3 Amended and Restated Investment Advisory and Management Agreement between the Registrant and Gladstone Management Corporation, dated as of October 1, 2006, incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K (File No. 814-00237), filed on October 5, 2006.
- 10.4 Administration Agreement between the Registrant and Gladstone Administration, LLC, dated as of October 1, 2006, incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K (File No. 814-00237), filed on October 5, 2006.
- 10.5 Fourth Amended and Restated Credit Agreement dated as of March 15, 2010, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed March 16, 2010.
- 10.6 Amendment No. 1 to Fourth Amended and Restated Credit Agreement dated as of November 22, 2010, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.8 to the Annual Report on Form 10-K (File No. 814-00237), filed November 22, 2010.
- 10.7 Amendment No. 2 to Fourth Amended and Restated Credit Agreement, dated as of May 10, 2011 by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K (File No. 814-00237), filed November 20, 2013.

- 10.8 Consent and Acknowledgement to Increase No. 1 under Fourth Amended and Restated Credit Agreement, dated as of August 9, 2011 by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed August 10, 2011.
- 10.9 Amendment No. 3 to Fourth Amended and Restated Credit Agreement, dated as of January 19, 2012 by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 814-00237), filed January 24, 2012.
- 10.10 Amendment No. 4 to Fourth Amended and Restated Credit Agreement, dated as of January, 29, 2013, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed January, 29, 2013.
- 10.11 Amendment No. 5 to Fourth Amended and Restated Credit Agreement, dated as of February 21, 2013, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed April 30, 2013.
- 10.12 Amendment No. 6 to Fourth Amended and Restated Credit Agreement, dated as of April 26, 2013, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 814-00237), filed April 30, 2013.
- 10.13 Amendment No. 7 to Fourth Amended and Restated Credit Agreement, dated as of September 12, 2013, by and among Gladstone Business Loan, LLC, as Borrower, Gladstone Management Corporation, as Servicer, the Lenders and Managing Agents named therein, and Key Equipment Finance Inc., as Administrative Agent, incorporated by reference to Exhibit 10.13 to the Annual Report on Form 10-K (File No. 814-00237), filed November 20, 2013.
- 10.14 Custodial Agreement, incorporated by reference to Exhibit 2.j.2 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
- 10.15 Amendment No. 1 to Custodial Agreement, incorporated by reference to Exhibit 2.j.3 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
- 10.16 Amendment No. 2 to Custodial Agreement, incorporated by reference to Exhibit 2.j.4 to Post-Effective Amendment No. 1 to Form N-2 (File No. 333-185191), filed December 23, 2013.
- 11* Computation of Per Share Earnings.
- 12* Statements Re: Computation of Ratios.
- 14 Code of Ethics and Business Conduct, updated January 28, 2013, incorporated by reference to Exhibit 14 to the Annual Report on Form 10-K (File No. 814-00237), filed November 20, 2013.
- 21* Subsidiaries of the Registrant.
- 23* Consent of PricewaterhouseCoopers LLP.
- 31.1 Certification of Chief Executive Officer pursuant to section 302 of The Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of Chief Financial Officer pursuant to section 302 of The Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of Chief Executive Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.2 Certification of Chief Financial Officer pursuant to section 906 of The Sarbanes-Oxley Act of 2002 (furnished herewith).
- 99.1* Financial Statements of Defiance Integrated Technologies, Inc. as of and for the years ended December 31, 2013 and 2012 (audited).
- 99.2* Financial Statements of Defiance Integrated Technologies, Inc. as of and for the years ended December 31, 2012 and 2011 (audited).
- 99.3* Financial Statements of Midwest Metal Distribution, Inc. and Subsidiaries as of and for the years ended December 31, 2013 and 2012 (audited).
- 99.4* Financial Statements of Midwest Metal Distribution, Inc. and Subsidiaries as of and for the years ended December 31, 2012 and 2011 (unaudited).
- 99.5* Financial Statements of Sunshine Media Group, Inc. as of and for the years ended December 31, 2013 and 2012 (unaudited).
- 99.6 Financial Statements of RBC Acquisition Corp. and Subsidiary as of and for the year September 30, 2014 (audited).
- 99.7 Financial Statements of RBC Acquisition Corp. and Subsidiary as of and for the years ended September 30, 2013 and 2012 (unaudited).

* Filed November 12, 2014, with the Company's Annual Report on Form 10-K (File No. 811-000000), for the year ended September 30, 2014, and incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLADSTONE CAPITAL CORPORATION

Date: December 29, 2014

By: /s/ MELISSA MORRISON

Melissa Morrison
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: December 29, 2014

By: /s/ DAVID GLADSTONE

David Gladstone
Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)

Date: December 29, 2014

By: /s/ TERRY L. BRUBAKER

Terry L. Brubaker
Vice Chairman of the Board of Directors, Chief Operating Officer

Date: December 29, 2014

By: /s/ ROBERT L. MARCOTTE

Robert L. Marcotte
President

Date: December 29, 2014

By: /s/ MELISSA MORRISON

Melissa Morrison
Chief Financial Officer (principal financial and accounting officer)

Date: December 29, 2014

By: /s/ ANTHONY W. PARKER

Anthony W. Parker
Director

Date: December 29, 2014

By: /s/ DAVID A.R. DULLUM

David A.R. Dullum
Director

Date: December 29, 2014

By: /s/ JOHN OUTLAND

John Outland
Director

Date: December 29, 2014

By: /s/ MICHELA A. ENGLISH

Michela A. English
Director

Date: December 29, 2014

By: /s/ PAUL ADELGREN

Paul Adलगren
Director

Date: December 29, 2014

By: /s/ WALTER H. WILKINSON, JR.

Walter H. Wilkinson, Jr.
Director

Date: December 29, 2014

By: /s/ CAREN D. MERRICK

Caren D. Merrick
Director

CERTIFICATION
Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002

I, David Gladstone, certify that:

1. I have reviewed this annual report on Form 10-K/A of Gladstone Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 29, 2014

/s/ DAVID GLADSTONE

David Gladstone
Chief Executive Officer

CERTIFICATION
Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002

I, Melissa Morrison, certify that:

1. I have reviewed this annual report on Form 10-K/A of Gladstone Capital Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 29, 2014

/s/ MELISSA MORRISON

Melissa Morrison
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer and Chairman of the Board of Gladstone Capital Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014 (the "Form 10-K/A"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 29, 2014

/s/ DAVID GLADSTONE

David Gladstone
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Financial Officer of Gladstone Capital Corporation (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. §1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K/A for the fiscal year ended September 30, 2014 (the "Form 10-K/A"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 29, 2014

/s/ MELISSA MORRISON

Melissa Morrison
Chief Financial Officer

*RBC ACQUISITION CORP.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014*

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Independent Auditors' Report

Board of Directors
RBC Acquisition Corp.
St. Louis, Missouri

Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RBC Acquisition Corp. and subsidiary, which comprise the consolidated balance sheet as of September 30, 2014, and the related consolidated statements of operations, redeemable Series A preferred stock, stockholders' deficit and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility For The Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of RBC Acquisition Corp. and subsidiary as of September 30, 2014, and the results of their operations and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ RubinBrown LLP

St. Louis, Missouri
December 5, 2014

RBC ACQUISITION CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

September 30, 2014

Assets	
Current Assets	
Cash and cash equivalents	\$ 238,185
Accounts receivable	2,757,998
Inventories	3,903,940
Prepaid expenses and other current assets	95,971
Total Current Assets	<u>6,996,094</u>
Property, Plant And Equipment, Net	7,498,363
Goodwill	4,205,532
Intangible Assets, Net	9,370,833
Other Assets	229,101
	<u>\$28,299,923</u>
Liabilities And Stockholders' Deficit	
Current Liabilities	
Current maturities of long-term debt	\$ 21,294
Accounts payable	980,615
Accrued expenses	417,915
Accrued interest	1,331,026
Accrued taxes	75,000
Total Current Liabilities	<u>2,825,850</u>
Deferred Revenue	150,000
Long-Term Deferred Tax Liability	337,500
Line of Credit	4,000,000
Long-Term Debt	23,332,310
Redeemable Series A Preferred Stock	6,295,354
Commitments and Contingencies (Notes 2, 7, and 13)	
Stockholders' Deficit	
Common stock:	
\$0.0001 par value, 10,000,000 shares authorized, 145,390 shares issued and outstanding at September 30, 2014	15
Common-B stock:	
\$0.0001 par value, 10,000,000 shares authorized, 1,999,996 shares issued and outstanding at September 30, 2014	200
Additional paid-in capital	858
Accumulated deficit	(8,642,164)
Total Stockholders' Deficit	<u>(8,641,091)</u>
	<u>\$28,299,923</u>

See the accompanying notes to consolidated financial statements.

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RBC ACQUISITION CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended September 30, 2014

Revenues	
General	\$ 12,182,307
Research and development	<u>877,640</u>
Total Revenues	<u>13,059,947</u>
Cost Of Sales	
General	9,346,604
Research and development	<u>1,816,829</u>
Total Cost Of Sales	<u>11,163,433</u>
Operating Expenses	2,149,304
Amortization of intangible assets	<u>950,000</u>
Loss From Operations	<u>(1,202,790)</u>
Other Expenses	
Interest expense	3,177,644
Non-cash interest expense	2,305,295
Other income	<u>(179,869)</u>
Total Other Expenses	<u>5,303,070</u>
Pretax Net Loss	(6,505,860)
Income Tax Benefit	<u>(1,155,165)</u>
Net Loss	<u><u>\$ (5,350,695)</u></u>

See the accompanying notes to consolidated financial statements.

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RBC ACQUISITION CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REDEEMABLE
SERIES A PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
For The Year Ended September 30, 2014

	Redeemable Series A Preferred Stock		Common Stock		Common-B Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance - September 30, 2013	2,299,000	\$2,446,463	2,000,000	\$ 200	—	\$ —	\$ 800	\$(2,142,578)	\$ (2,141,578)
Issuance Of Redeemable Series A Preferred Stock	2,700,000	2,700,000	—	—	—	—	—	—	—
Issuance Of Common Stock	—	—	145,386	15	—	—	58	—	73
Exchange of Common Stock for Common-B Stock	—	—	(1,999,996)	(200)	1,999,996	200	—	—	—
Cumulative Series A Preferred Stock Dividend Accrual	—	1,148,891	—	—	—	—	—	(1,148,891)	(1,148,891)
Net Loss	—	—	—	—	—	—	—	(5,350,695)	(5,350,695)
Balance - September 30, 2014	<u>4,999,000</u>	<u>\$6,295,354</u>	<u>145,390</u>	<u>\$ 15</u>	<u>1,999,996</u>	<u>\$ 200</u>	<u>\$ 858</u>	<u>\$(8,642,164)</u>	<u>\$ (8,641,091)</u>

See the accompanying notes to consolidated financial statements.

RBC ACQUISITION CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2014

Cash Flows From Operating Activities	
Net loss	\$ (5,350,695)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	2,130,793
Non-cash interest expense	2,305,295
Loss on sale of equipment	16,223
Deferred income tax benefit	(1,155,165)
Changes in assets and liabilities, net of assets acquired and liabilities assumed in business combination:	
Increase in accounts receivable	(452,324)
Increase in inventories	(621,955)
Increase in prepaid expenses and other assets	(11,928)
Decrease in accounts payable	(581,619)
Increase in accrued expenses	163,871
Increase in accrued interest	917,888
Decrease in accrued taxes	(11,443)
Increase in deferred revenue	150,000
Net Cash Used In Operating Activities	<u>(2,501,059)</u>
Cash Flows Used In Investing Activities	
Payments for equipment and leasehold improvements	<u>(355,163)</u>
Cash Flows From Financing Activities	
Principal payments on long-term debt	(78,382)
Issuance of redeemable preferred stock	2,700,000
Issuance of common stock	73
Net Cash Provided By Financing Activities	<u>2,621,691</u>
Net Decrease In Cash And Cash Equivalents	(234,531)
Cash And Cash Equivalents - Beginning Of Year	<u>472,716</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 238,185</u>
Supplemental Disclosure Of Cash Flow Information	
Interest paid	\$ 2,108,213
Series A preferred stock dividend (Note 8)	1,148,891

See the accompanying notes to consolidated financial statements.

RBC ACQUISITION CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2014

1. Operations

RBC Acquisition Corp. was formed and began operations on March 7, 2013 when it acquired all outstanding stock of Reliable Biopharmaceutical Corporation (RBC) for a purchase price of \$1 and potential contingent consideration based on certain financial metrics.

Revenues are predominately earned from the manufacture and sale of both high quality active pharmaceutical ingredients and high purity ingredients for human care. Its manufacturing operations are located in St. Louis, Missouri. RBC grants credit to its customers, located throughout the world.

RBC is a Food and Drug Administration inspected developer and “current good manufacturing process” manufacturer of active pharmaceutical ingredients for the generic pharmaceutical industry, excipients for the biopharmaceutical and pharmaceutical industries, nucleic acid derivatives, and reagent formulations for the diagnostic and medical device industries. RBC sells to biopharmaceutical, pharmaceutical, medical device, and diagnostic companies worldwide.

RBC has a wholly-owned subsidiary, RBC Real Estate Holdings, LLC (REH). REH’s sole business activity is the lease of manufacturing and office facilities to RBC.

2. Summary Of Significant Accounting Policies

Principles Of Consolidation

The consolidated financial statements include the accounts of RBC Acquisition Corp. and its wholly-owned subsidiary, RBC and RBC’s wholly-owned subsidiary, REH, which are collectively referred to as the Company. Significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. 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 differ from those estimates.

Cash And Cash Equivalents

The Company considers all highly liquid, temporary investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents may periodically exceed those amounts insured by federal agencies.

Accounts Receivable

Accounts receivable are 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 the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. The allowance for doubtful accounts as of September 30, 2014 is \$500.

Inventories

Inventories are valued at the lower of cost (specific identification method) or market. Work in process and finished goods inventories are valued at the cost of raw materials plus direct labor and applied factory overhead, not in excess of market.

Property, Plant And Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation. Expenditures which extend the useful lives of the assets are capitalized, while maintenance and repairs are expensed as incurred.

Leasehold improvements are amortized over the lesser of the lease term or estimated useful life of the improvement. Depreciation is recorded on a straight-line basis over the following estimated useful lives of the assets:

Building	39 Years
Leashold Improvements	10 - 31 Years
Machinery and Office Equipment	5-15 Years
Automobiles	10 Years

Goodwill And Intangible Assets

Goodwill represents the excess of the fair values of the liabilities assumed over the identifiable assets acquired, including identifiable intangible assets, in the acquisition of RBC. Qualitatively, goodwill represents such factors as the benefit of consolidating ownership to one party, confidence in management's plans and abilities, as well as the value of the assembled work force. Goodwill is not amortized and must be tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill is not expected to be deductible for tax purposes. During fiscal 2014, the Company finalized its purchase price allocation with respect to deferred taxes. As a result, goodwill and deferred tax liability were increased by \$205,575.

The Company tested its goodwill in the fourth quarter of the year ended September 30, 2014 with no impairment charges deemed necessary from testing.

The Company acquired certain trademarks and in-process research and development in the acquisition of RBC. These assets have indefinite lives and, as such, are not amortized. The Company must test indefinite-lived assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. There was no impairment loss recognized during the 2014.

The Company acquired developed technology in conjunction with the acquisition of RBC. Developed technology is amortized on a straight line basis over its estimated useful life of 10 years.

Revenue Recognition

The Company generally recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable. Customers are offered a limited return policy if the product fails to meet specific tests upon receipt. Sales returns and allowances amounted to \$189,115 and are netted against revenues. At September 30, 2014, no allowance was recorded for sales returns.

Shipping and handling billed to customers is included in revenues and the related cost is included in cost of sales.

The Company periodically recognizes product revenue before delivery has occurred (bill and hold sales) as long as the following criteria are met:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

Notes To Consolidated Financial Statements *(Continued)*

- The Company does not retain effective control over the goods or continuing managerial involvement to the degree usually associated with ownership;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits of the sale will flow to the Company;
- Any costs incurred or to be incurred related to the sale can be measured reliably;
- It is probable that delivery will be made;
- The goods are on hand, identified and ready for delivery;
- The buyer specifically acknowledges the deferred delivery instructions; and
- Normal payment terms apply.

Revenue under the Company's license and collaboration arrangements is recognized based on the performance requirements of the contract. Amounts received under such arrangements consist of up-front collaboration payments, periodic milestone payments and payments for research activities. The Company's collaborations with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value. The consideration received is combined and recognized as a single unit of accounting when criteria for separation are not met.

The Company did not recognize any revenue during the year for performance requirements. The Company had \$150,000 in outstanding performance requirements as of September 30, 2014.

Contingent Consideration

In connection with the acquisition of RBC, the acquirer has a contingent consideration arrangement that requires payment to the former owners of RBC upon sale of RBC if certain metrics are met. For proceeds received in excess of outstanding equity, in addition to an amount equal to an internal rate of return of 10% on the equity compounded annually (the initial amount), the former owners are entitled to receive an amount equal to 17.5% of the initial amount. The former owners shall also be entitled to 17.5% of all additional proceeds.

Notes To Consolidated Financial Statements *(Continued)*

Each year the Company, on behalf of the acquirer, will reassess the contingent consideration obligation associated with the acquisition and record changes in the fair value as contingent consideration expense or income. Increases or decreases in the fair value of the contingent consideration obligations can result from changes in assumed discount periods and rates, changes in the assumed timing and amount of revenue and expense estimates and changes in assumed probability with respect to the attainment of certain financial and operational metrics. Significant judgment is employed in determining these assumptions as of the acquisition date and for each subsequent period. Accordingly, future business and economic conditions, as well as changes in any of the assumptions described above, can materially impact the amount of contingent consideration expense (income) recorded in any given period.

Advertising

Advertising costs for the period were insignificant and are recognized in the period in which the related expenses are incurred.

Research And Development Costs

Research and development costs are charged to expense in the period incurred and are included in cost of sales - research and development. The direct salaries for research and development were \$610,774. The direct costs of materials used in research and development were \$61,825.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, including accounts receivable, inventory, fixed assets, and intangible assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and noncurrent based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Accounting guidance for income taxes provides a two-step approach to recognizing and measuring tax benefits when the benefits' realization is uncertain. The first step is to determine whether the benefit is to be recognized. The second step is to determine the amount to be recognized. The two-step approach is outlined below:

- Income tax benefits should be recognized when, based on the technical merits of a tax position, the company believes that if a dispute arose with the taxing authority and was taken to a court of last resort, it is more likely than not (i.e., a probability of greater than 50%) that the tax position would be sustained as filed; and
- If a position is determined to be more likely than not of being sustained, the amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the taxing authority.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of September 30, 2014, the Company had accrued no interest related to uncertain tax matters.

The Company's federal and state tax returns for tax years 2010 and later remain subject to examination by taxing authorities.

Notes To Consolidated Financial Statements *(Continued)*

If management's assessment of unrecognized tax benefits is not representative of actual outcomes, the consolidated financial statements could be impacted in the period of settlement or when the statute of limitations expires.

Subsequent Events

Management has evaluated subsequent events through December 5, 2014, the date which the consolidated financial statements were available for issue.

3. Inventories

Inventories consist of:

Raw materials	\$ 897,353
Work in process	777,606
Finished goods	<u>2,228,981</u>
	<u>\$3,903,940</u>

4. Property, Plant And Equipment

Property, plant and equipment consist of:

Land	\$ 450,000
Building	1,717,379
Machinery and equipment	5,231,363
Office and equipment	172,074
Leasehold improvements	1,530,272
Automobiles	5,250
Equipment not placed in service	<u>218,073</u>
	9,324,411
Less: Accumulated depreciation and amortization	<u>1,826,048</u>
	<u>\$7,498,363</u>

Depreciation and amortization of property, plant and equipment charged against income amounted to \$1,163,927 during the year. During the year, partially depreciated machinery and equipment with an historical cost of \$17,450 was disposed.

5. Intangible Assets

Intangible assets consist of:

	<u>Asset</u>	<u>Accumulated Amortization</u>	<u>Total</u>
Developed technology	\$ 9,500,000	\$ 1,504,167	\$7,995,833
Trademarks	900,000	—	900,000
In-Process R&D	475,000	—	475,000
	<u>\$10,875,000</u>	<u>\$ 1,504,167</u>	<u>\$9,370,833</u>

Amortization of intangible assets charged against income amounted to \$950,000 during the year. Projected amortization of intangible assets over the next five years is as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 950,000
2016	950,000
2017	950,000
2018	950,000
2019	950,000
Thereafter	3,245,833
	<u>\$7,995,833</u>

6. Line Of Credit

The Company has a revolving line-of-credit agreement with an affiliate of a stockholder whose borrowings are limited to lesser of, (1) 85% of eligible accounts receivable plus 50% of eligible inventories, or (2) \$4,000,000. Outstanding balances at September 30, 2014 amounted to \$4,000,000 and bear interest at a rate equal to the greater of 9% or the 30-day LIBOR rate plus 7%. The rate in effect at September 30, 2014 was 9%. As of May 2014, all scheduled interest and principal payments on the line-of-credit ceased. As a result of the payment default, the Company was in breach of the terms of all debt agreements. On November 6, 2014, the lender waived all breaches and amended the debt agreements to extend maturity dates. The Company is scheduled to resume payments of principal and interest under the amended debt terms beginning June 1, 2015. All balances then outstanding are due and payable on December 22, 2015. This agreement contains an unused line fee equal to 1% of the available unused balance payable monthly.

7. Long-Term Debt

Long-term debt consists of:

Note payable to affiliate of acquirer, mortgage loan - secured by all real property, payable in monthly installments of \$65,177 including principal and interest at 9.5%, with a balloon payment due in December 2015	\$ 6,890,765
Note payable to affiliate of acquirer, last out term loan (meaning if the Company is liquidated, the holder of the last out term loan is paid after the senior debt holders) - secured by all business assets, payable in monthly installments of interest at the greater of 12% or the 30-day LIBOR rate plus 10%, plus quarterly principal installments of \$30,059, due in December 2015	11,392,266
Note payable to affiliate of acquirer, subordinated loan - secured by all business assets, payable in monthly installments of interest only at 12.5%, due in December 2015. Principal balance of \$6,000,000. Carrying amount is net of unamortized fair value discount of \$929,427, based on an effective interest rate of 83%.	<u>5,070,573</u>
	23,353,604
Less: Current maturities	<u>21,294</u>
Long-term debt	<u>\$23,332,310</u>

The 30-day LIBOR rate at September 30, 2014 was 0.1541%.

Contractual scheduled maturities of the above debt are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 21,294
2016	<u>23,332,310</u>
	<u>\$23,353,604</u>

Contractual interest expense incurred on all debt amounted to \$3,177,644 during the period.

Notes To Consolidated Financial Statements *(Continued)*

All debt instruments contain certain restrictive covenants, which among other things, establish minimum consolidated EBITDA and maximum capital expenditures. As of May 2014, all scheduled interest and principal payments on debt instruments ceased. As a result of the payment default, the Company was in breach of the terms of all debt agreements. The lender waived all breaches and, on November 6, 2014, amended the debt agreements to extend maturity dates. The Company is scheduled to resume payments of principal and interest under the amended debt terms beginning June of 2015. All maturity dates were extended to December 22, 2015.

As part of the acquisition of RBC, the lender waived all covenant breaches in prior periods as well as payment default that occurred under previous ownership. The conditional interest resulting from payment default totaled \$774,000 at September 30, 2014 and will not accrue additional interest. This conditional interest is due only upon a future change in control and no liability is recorded in the consolidated statements for this amount

8. Common Stock

At October 1, 2013, the authorized common stock of the Company consisted of one class of common stock with 10,000,000 shares authorized.

On February 12, 2014, the Company issued 50 common shares to the president of the Company for total consideration of \$0.025. The majority stockholder exchanged 1,999,996 shares of common stock for the same number of Common-B shares, reducing the majority stockholder to 4 shares of common stock.

The common stock has one vote per share, and the Common-B stock and Preferred stock have no voting rights. However, the stockholders' agreement and certificate of incorporation provide other rights to the Common-B stockholders, which include among other things, the right to exchange Common-B stock for common stock under certain triggering events.

9. Series A Preferred Stock

Series A Preferred Stock (preferred stock) is redeemable, at the option of the Company or the holder, for an amount equal to the original purchase price plus all accrued and unpaid dividends. All unpaid dividends to preferred stockholders must be paid before declaring a dividend to common stockholders. Preferred stock holds dividend and liquidation preferences over common stock. On matters presented to the stockholders of the Company, the holders of preferred stock shall not be entitled to vote.

During the year, 2,700,000 shares of preferred stock were issued at a price of \$1 per share. The Company recorded a preferred stock dividend of \$1,148,891 during the year. The dividend rate is determined by the aggregate amount of outstanding shares of preferred stock as follows:

<u>Aggregate Amount of Outstanding Shares of Series A Preferred Stock</u>	<u>Rate</u>
Up to 1,000,000	8.0%
Up to 2,000,000	10.0%
Up to 3,000,000	12.5%
Up to 4,000,000	17.5%
Up to 5,000,000	25.0%

10. Profit Sharing 401(k) Plan

The Company has a qualified, noncontributory, trustee profit sharing 401(k) plan (the Profit Sharing Plan) covering substantially all employees. Employees may contribute 1% to 50% of their annual compensation to the Profit Sharing Plan, within federal guidelines. The Company may elect to match a percentage of the employee contributions in accordance with the provisions set forth in the Profit Sharing Plan. The Company made matching contributions of \$121,333 during the year.

In addition, the Company may also make discretionary profit sharing contributions to the Profit Sharing Plan. No such contributions were made to the Profit Sharing Plan during the year.

11. Share-Based Compensation

In 2013, the Company established the RBC Acquisition Corp. 2013 Stock Incentive Plan (the Plan). The Board of Directors, at its discretion, may grant options to eligible participants. Share options under the Plan vest over a period of four years. The number of shares subject to options available for issuance under the Plan cannot exceed 666,667. A summary of the activity under the Plan as of September 30, 2014, and changes during the year then ended is presented below:

Employee And Director Options	Shares	Weighted-Average	
		Exercise Price	Remaining Contractual Term
Outstanding at October 1, 2013	601,337	\$0.0005	3.9
Exercised	(145,336)	\$0.0005	_____
Outstanding at September 30, 2014	<u>456,001</u>	<u>\$0.0005</u>	<u>2.9</u>
Exercisable at September 30, 2014	<u>456,001</u>	<u>\$0.0005</u>	<u>2.9</u>

There was no share-based compensation expense in 2014 as all previously issued and outstanding options had a grant date fair value of zero.

12. Income Taxes

The federal and state income tax benefit is summarized as follows:

Current:	
Federal	\$ —
State	—
Deferred:	
Federal	\$1,047,350
State	<u>107,815</u>
Total income tax benefit	<u>\$1,155,165</u>

A reconciliation of income tax benefit with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows:

Benefit for federal income taxes at the statutory rates	\$ 2,211,990
Benefit for state income taxes	227,572
Meals and entertainment	(1,289)
Valuation allowance	<u>(1,283,108)</u>
Total income tax benefit	<u>\$ 1,155,165</u>

Notes To Consolidated Financial Statements *(Continued)*

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

Current deferred tax assets (liabilities):	
Accrued liabilities and allowances	\$ 316,817
Accrued compensation	45,451
Prepaid insurance	<u>(348,535)</u>
Total current deferred tax assets	13,733
Valuation allowance	<u>(13,733)</u>
Net current deferred tax asset	<u>\$ —</u>
Long-term deferred tax assets (liabilities):	
Intangible assets	\$(3,514,062)
Charitable contribution carryforward	1,688
Property and equipment	805,124
Net operating loss carryforwards	3,637,385
R&D carryforward	<u>1,740</u>
Total long-term deferred tax assets	931,875
Valuation allowance	<u>(1,269,375)</u>
Net noncurrent deferred tax liability	<u>\$ (337,500)</u>

At September 30, 2014, the Company had approximately \$7,100,000 in unused net operating loss carryforwards that may be applied against future taxable income and begin expiring in September 2032. Of that amount, approximately \$5,400,000 is limited to a maximum usage of approximately \$1,100,000 per year. The remaining \$1,700,000 of net operating losses has no limitations as to use per year.

13. Sales Concentration

The Company has a concentration with three customers to whom it sells several commercial products and provides research and development services. Transactions with these three customers accounted for approximately \$6,961,773 or 53% of total sales during the year. Accounts receivable from these three customers amounted to approximately \$1,283,242, or 50% of gross accounts receivable as of September 30, 2014

*RBC ACQUISITION CORP.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 and 2012
(unaudited)*

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RBC ACQUISITION CORP. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
UNAUDITED

	Successor	Predecessor
	September 30,	
	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 472,716	\$ 692,488
Accounts receivable (less allowance for doubtful accounts and sales returns of \$0 in 2013 and \$500 in 2012)	2,305,674	2,542,869
Inventories	3,281,985	3,934,422
Prepaid expenses and other current assets	84,043	181,761
Prepaid income taxes	—	699,559
Deferred tax asset	476,565	200,044
Total Current Assets	6,620,983	8,251,143
Property, Plant And Equipment	8,323,350	12,833,955
Goodwill	3,999,957	8,156,764
Intangible Assets	10,320,833	6,237,609
Other Assets	245,967	639,017
	<u>\$29,511,090</u>	<u>\$36,118,488</u>
Liabilities And Stockholder's Equity (Deficit)		
Current Liabilities		
Line of credit	\$ 4,000,000	\$ —
Current maturities of long-term debt	116,008	225,631
Accounts payable	1,562,234	1,782,822
Accrued expenses	254,044	452,484
Deferred revenue	—	243,750
Accrued interest	261,595	199,691
Accrued vacation	151,543	143,841
Accrued taxes	86,443	75,000
Other current liabilities	—	95,038
Total Current Liabilities	6,431,867	3,218,257
Long-Term Deferred Tax Liability	1,763,655	1,074,721
Line Of Credit	—	2,900,000
Long-Term Debt	21,010,683	24,301,175
Dividends Payable	—	84,451
Put Warrant Liability	—	1,060,543
Total Liabilities	<u>29,206,205</u>	<u>32,639,147</u>
Redeemable Series A Preferred Stock	2,446,463	—
Stockholder's Equity (Deficit)		
Common stock:		
\$0.0001 par value, 10,000,000 shares authorized, 2,000,000 shares issued and outstanding at September 30, 2013	200	—
\$0.001 par value, 40,000 shares authorized, 9,351 shares issued and outstanding at September 30, 2012	—	9
Preferred Stock:		
\$0.001 par value, 4,000 shares authorized, 3,510 issued and outstanding at September 30, 2012	—	4
Contributed capital	—	365,051
Additional paid-in capital	800	12,405,421
Accumulated deficit	(2,142,578)	(9,291,144)
Total Stockholder's Equity (Deficit)	<u>(2,141,578)</u>	<u>3,479,341</u>
	<u>\$29,511,090</u>	<u>\$36,118,488</u>

See the accompanying notes to consolidated financial statements.

RBC ACQUISITION CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
UNAUDITED

	Successor	Predecessor	
	Period March 7, 2013 To September 30, 2013	Period October 1, 2012 To March 6, 2013	Fiscal Year End September 30, 2012
Revenues			
General	\$ 8,024,064	\$ 4,418,783	\$ 10,201,469
Research and development	1,135,325	207,685	(310,025)
Total Revenues	9,159,389	4,626,468	9,891,444
Cost Of Sales, Exclusive Of Amortization			
General	6,340,348	3,320,838	8,169,146
Research and development	1,395,524	1,203,037	2,461,366
Total Cost Of Sales	7,735,872	4,523,875	10,630,512
Selling, General, And Administrative Expenses	1,422,837	811,232	2,836,374
Amortization Of Intangible Assets	554,167	273,615	985,362
Impairment Of Goodwill	—	4,156,807	—
Loss From Operations	(553,487)	(5,139,061)	(4,560,804)
Other Expenses			
Interest expense	1,868,377	1,415,094	3,396,568
Non-cash interest expense	698,592	—	—
Other expense	78,238	101,457	5,067
Change in fair value of put warrants	—	(1,060,543)	108,529
Management fee	—	116,668	483,335
Total Other Expenses	2,645,207	572,676	3,993,499
Pretax Net Loss	(3,198,694)	(5,711,737)	(8,554,303)
Income Tax Benefit	1,203,579	574,676	3,148,547
Net Loss	\$ (1,995,115)	\$ (5,137,061)	\$ (5,405,756)

See the accompanying notes to consolidated financial statements.

RBC ACQUISITION CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF REDEEMABLE
SERIES A PREFERRED STOCK AND STOCKHOLDER'S EQUITY (DEFICIT)
UNAUDITED
For The Periods Ended September 30, 2013, March 6, 2013, And September 30, 2012

	Redeemable Series A Preferred Stock		Preferred Stock		Common Stock		Contributed Capital	Additional Paid-In Capital	Accumulated Deficit	Total Stockholder's Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount				
Predecessor:										
Balance - September 30, 2011	—	\$ —	—	\$ —	9,381	\$ 9	\$ 365,051	\$ 8,995,494	\$ (3,800,937)	\$ 5,559,617
Stock-Based Compensation Expense	—	—	—	—	—	—	—	45,227	—	45,227
Issuance Of Preferred Stock	—	—	3,510	4	—	—	—	3,509,996	—	3,510,000
Stock Issuance Costs	—	—	—	—	—	—	—	(115,296)	—	(115,296)
Beneficial Conversion Feature Of Preferred Stock	—	—	—	—	—	—	—	3,510,000	—	3,510,000
Accretion Of Beneficial Conversion Feature Of Preferred Stock	—	—	—	—	—	—	—	(3,510,000)	—	(3,510,000)
Preferred Shares Dividend Accrual	—	—	—	—	—	—	—	—	(84,451)	(84,451)
Repurchase And Retirement Of Common Stock	—	—	—	—	(30)	—	—	(30,000)	—	(30,000)
Net Loss	—	—	—	—	—	—	—	—	(5,405,756)	(5,405,756)
Balance - September 30, 2012	—	—	3,510	4	9,351	9	365,051	12,405,421	(9,291,144)	3,479,341
Net Loss	—	—	—	—	—	—	—	—	(5,137,061)	(5,137,061)
Balance - March 6, 2013	—	\$ —	3,510	\$ 4	9,351	\$ 9	\$ 365,051	\$ 12,405,421	\$ (14,428,205)	\$ (1,657,720)
Successor:										
Balance - March 7, 2013	—	\$ —	—	\$ —	—	\$ —	\$ —	\$ —	\$ —	\$ —
Issuance Of Redeemable Series A Preferred Stock	2,299,000	2,299,000	—	—	—	—	—	—	—	—
Issuance Of Common Stock	—	—	—	—	2,000	200	—	800	—	1,000
Cumulative Series A Preferred Stock Dividend Accrual	—	147,463	—	—	—	—	—	—	(147,463)	(147,463)
Net Loss	—	—	—	—	—	—	—	—	(1,995,115)	(1,995,115)
Balance - September 30, 2013	2,299,000	\$ 2,446,463	—	\$ —	2,000	\$ 200	\$ —	\$ 800	\$ (2,142,578)	\$ (2,141,578)

See the accompanying notes to consolidated financial statements.

RBC ACQUISITION CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
UNAUDITED

	Successor	Predecessor	
	Period March 7, 2013 To September 30, 2013	Period October 1, 2012 To March 6, 2013	Fiscal Year Ended September 30, 2012
Cash Flows From Operating Activities			
Net loss	\$ (1,995,115)	\$ (5,137,061)	\$ (5,405,756)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,225,485	910,789	2,327,142
Deferred financing cost amortization	—	109,006	273,335
Non-cash interest expense	698,592	—	—
Change in fair value of put warrants	—	(1,060,543)	108,529
Goodwill impairment charges	—	4,156,807	—
Stock-based compensation expense	—	—	45,227
Dividend payable	—	(84,451)	—
Deferred income taxes	(1,203,579)	(574,676)	(2,447,486)
Changes in assets and liabilities, net of assets acquired and liabilities assumed in business combination:			
(Increase) decrease in accounts receivable	(1,113,067)	1,286,757	3,333,593
Decrease (increase) in inventories	371,033	(808,347)	(968,386)
Decrease (increase) in prepaid expenses and other assets	13,182	70,535	(20,403)
Decrease (increase) in prepaid income taxes	664,366	—	(699,559)
(Decrease) increase in accounts payable and accrued expenses	(560,202)	508,044	793,041
Decrease in deferred revenue	(243,750)	—	—
Decrease in income taxes payable	—	—	(251,578)
Net Cash Used In Operating Activities	(2,143,055)	(623,140)	(2,912,301)
Cash Flows Used In Investing Activities			
Payments for equipment and leasehold improvements	(230,363)	(309,271)	(1,812,293)
Cash Flows From Financing Activities			
Principal payments on long-term debt	(71,901)	(93,490)	(214,195)
Net borrowing on line of credit	—	1,100,000	1,700,000
Payment for deferred financing fees	—	—	(22,071)
Repurchase of stock	—	—	(30,000)
Issuance of preferred stock	2,299,000	—	3,506,000
Payment of stock issuance costs	—	(148,552)	(115,296)
Issuance of common stock	1,000	—	—
Net Cash Provided By Financing Activities	2,228,099	857,958	4,824,438
Net (Decrease) Increase In Cash And Cash Equivalents	(145,319)	(74,453)	99,844
Cash And Cash Equivalents - Beginning Of Period	618,035	692,488	592,644
Cash And Cash Equivalents - End Of Period	\$ 472,716	\$ 618,035	\$ 692,488
Supplemental Disclosure Of Cash Flow Information			
Interest paid	\$ 2,642,969	\$ 1,247,357	\$ 3,109,006
Income taxes paid	—	—	250,076
Series A preferred stock dividend (Note 12)	147,463	—	—
Preferred Stock Dividends (Note 12)	—	—	84,451

See the accompanying notes to consolidated financial statements.

RBC ACQUISITION CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2013 And 2012
Unaudited

1. Operations

RBC Acquisition Corp. was formed and began operations on March 7, 2013 when it acquired all outstanding stock of Reliable Biopharmaceutical Corporation (RBC) for a purchase price of \$1 and potential contingent consideration based on certain financial metrics. The fair value of the contingent consideration was \$0 at the date of acquisition. RBC Acquisition Corp. is an affiliate of RBC's primary lender. As a result of this transaction, all references in these consolidated financial statements to the Company before March 6, 2013 shall be referred to as "Predecessor." All references in these consolidated financial statements to the Company after March 7, 2013 shall be referred to as "Successor". A summary as of March 7, 2013 of the fair values of the assets acquired and liabilities assumed are as follows:

Cash and cash equivalents	\$ 618,035
Accounts receivable	1,192,607
Inventories	3,653,018
Prepaid expenses and other current assets	97,225
Prepaid income taxes	664,366
Current deferred tax asset	437,077
Property, plant and equipment	8,757,277
Goodwill	3,999,957
Developed technology	9,500,000
Trademarks	900,000
In-process research and development	475,000
Other assets	252,995
Accounts payable and accrued expenses	(2,876,061)
Deferred revenue	(243,750)
Long-term deferred tax liability	(2,927,746)
Line of credit	(4,000,000)
Term loan	(11,392,266)
Mortgage loan	(7,041,051)
Subordinated loan	(2,066,683)

The Company also incurred expenses of approximately \$26,500 related to the acquisition, which were expensed in the period from March 7, 2013 to September 30, 2013 and included in selling, general, and administrative expenses on the consolidated statement of operations. The purchase price allocation remains open with respect to deferred taxes.

Revenues are predominately earned from the manufacture and sale of both high quality active pharmaceutical ingredients and high purity ingredients for human care. Its manufacturing operations are located in St. Louis, Missouri. RBC grants credit to its customers, located throughout the world.

Notes To Consolidated Financial Statements *(Continued)*

RBC is a Food and Drug Administration inspected developer and “current good manufacturing process” manufacturer of Active Pharmaceutical Ingredients for the generic pharmaceutical industry, excipients for the biopharmaceutical and pharmaceutical industries, nucleic acid derivatives, and reagent formulations for the diagnostic and medical device industries. RBC sells to biopharmaceutical, pharmaceutical, medical device, and diagnostic companies worldwide.

RBC has a wholly-owned subsidiary, RBC Real Estate Holdings, LLC (REH). REH’s sole business activity is the lease of manufacturing and office facilities to RBC.

2. Summary Of Significant Accounting Policies**Principles Of Consolidation**

The consolidated financial statements subsequent to March 6, 2013 include the accounts of RBC Acquisition Corp. and its wholly-owned subsidiary, RBC and RBC’s wholly-owned subsidiary, REH, which are collectively referred to as the Company in the successor period.

Prior to March 6, 2013 consolidated financial statements include the accounts of Reliable Biopharmaceutical Holdings, Inc. (RBH) and its wholly-owned subsidiary RBC and RBC’s wholly-owned subsidiary REH, collectively referred to as the Company in predecessor periods.

Significant intercompany accounts and transactions have been eliminated in consolidation.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. 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 differ from those estimates.

Cash And Cash Equivalents

The Company considers all highly liquid, temporary investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents may periodically exceed those amounts insured by federal agencies.

Accounts Receivable

Accounts receivable are 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 the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Inventories

Inventories are valued at the lower of cost (specific identification method) or market. Work in process and finished goods inventories are valued at the cost of raw materials plus direct labor and applied factory overhead, not in excess of market.

Property, Plant And Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and amortization computed using straight-line and accelerated methods over periods ranging from 3 to 40 years. Leasehold improvements are amortized over the lesser of the lease term or estimated useful life of the improvement.

Goodwill And Intangible Assets

Goodwill represents the excess of the fair values of the liabilities assumed over the identifiable assets acquired, including identifiable intangible assets, acquired. Qualitatively, goodwill represents such factors as the benefit of consolidating ownership to one party, confidence in management's plans and abilities, as well as the value of the assembled work force. Goodwill is not amortized and must be tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset may be impaired. Goodwill is not expected to be deductible for tax purposes.

At the Company's option, a qualitative assessment may be performed prior to calculating the fair value in step one of the goodwill impairment tests. If the Company determines, based on qualitative factors, that the fair value of a reporting unit is more likely than not (that is, a likelihood of more than 50 percent) less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed.

The Company concluded during the period beginning March 7, 2013 and ended September 30, 2013 that quantitative testing was not necessary, based on the consideration of factors such as the results of operations and cash flows for the Company. Thus, no impairment charges were necessary for the period.

Notes To Consolidated Financial Statements *(Continued)*

During the period beginning October 1, 2012 and ended March 6, 2013, the Company recorded goodwill impairment charges of approximately \$4.16 million. See Note 5, Goodwill, for additional details of this impairment.

The Company tested its goodwill in 2012 with no impairment charges being deemed necessary from testing.

The Company has certain trademarks, customer lists, trade secrets, noncompete agreements and in-process research and development. These assets have indefinite lives and, as such, are not amortized. The Company must test indefinite-lived assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. There was no impairment loss recognized during the periods.

The Company acquired developed technology in conjunction with the acquisition of RBC in 2013. Developed technology is amortized on a straight line basis over its estimated useful life of 10 years.

Derivatives

The Company applies accounting rules for derivative instruments and hedging activities to its put warrants issued to the Company's debt holder. Derivative accounting requires that all derivatives be recorded on the consolidated balance sheet at fair value. The Company has not designated its derivatives as effective hedges. Derivatives that are not designated as hedges must be recorded at fair value through current period earnings. Fair value for the Company's put warrants is determined using pricing models and formulas. The Company does not hold or issue derivative instruments for trading or speculative purposes.

Fair Value Of Financial Instruments

The Company utilizes an established framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

Revenue Recognition

The Company generally recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable. Customers are offered a limited return policy if the product fails to meet specific tests upon receipt. Sales returns and allowances amounted to \$17,997 for the period from March 7, 2013 to September 30, 2013, \$1,394 for the period from October 1, 2012 to March 6, 2013, and \$877,447 for fiscal 2012, respectively, and are netted against revenues. At September 30, 2013 and 2012, no allowance was recorded for sales returns.

Shipping and handling billed to customers is included in revenues and the related cost is included in cost of sales.

The Company periodically recognizes product revenue before delivery has occurred (bill and hold sales) as long as the following criteria are met:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company does not retain effective control over the goods or continuing managerial involvement to the degree usually associated with ownership;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits of the sale will flow to the Company;
- Any costs incurred or to be incurred related to the sale can be measured reliably;
- It is probable that delivery will be made;
- The goods are on hand, identified and ready for delivery;
- The buyer specifically acknowledges the deferred delivery instructions; and
- Normal payment terms apply.

The Company had approximately \$0 and \$630,000 of bill and hold sales not shipped as of September 30, 2013 and 2012, respectively, for which the corresponding inventory amounts were excluded from inventory in the consolidated balance sheets.

Revenue under the Company's license and collaboration arrangements is recognized based on the performance requirements of the contract. Amounts received under such arrangements consist of up-front collaboration payments, periodic milestone payments and payments for research activities. The Company's collaborations with multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value. The consideration received is combined and recognized as a single unit of accounting when criteria for separation are not met.

The Company recognized revenue of approximately \$1,100,000 for the period from March 7, 2013 to September 30, 2013, \$207,685 for the period from October 1, 2012 to March 6, 2013, and \$0 for fiscal 2012, respectively for performance requirements achieved. There were no outstanding performance requirements as of September 30, 2013 and 2012.

Contingent Consideration

In connection with the acquisition of RBC, the stockholder has a contingent consideration arrangement that requires payment to the former owners of RBC. For proceeds received in excess of outstanding equity, in addition to an amount equal to an internal rate of return of 10% on the equity compounded annually (the initial amount), the former owners are entitled to receive an amount equal to 17.5% of the initial amount. The former owners shall also be entitled to 17.5% of all additional proceeds.

Each year the Company, on behalf of the stockholder, will reassess the contingent consideration obligation associated with the acquisition and record changes in the fair value as contingent consideration expense or income. Increases or decreases in the fair value of the contingent consideration obligations can result from changes in assumed discount periods and rates, changes in the assumed timing and amount of revenue and expense estimates and changes in assumed probability with respect to the attainment of certain financial and operational metrics. Significant judgment is employed in determining these assumptions as of the acquisition date and for each subsequent period. Accordingly, future business and economic conditions, as well as changes in any of the assumptions described above, can materially impact the amount of contingent consideration expense (income) recorded in any given period.

Advertising

Advertising costs for the period were insignificant and are recognized in the period in which the related expenses are incurred.

Research And Development Costs

Research and development costs are charged to expense in the year incurred and are included in cost of sales - research and development. The direct salaries for research and development were \$527,462 for the period from March 7, 2013 to September 30, 2013, \$331,680 for the period from October 1, 2012 to March 6, 2013, and \$795,936 for fiscal 2012, respectively. The direct costs of materials used in research and development were \$28,759 for the period from March 7, 2013 to September 30, 2013, \$370,641 for the period from October 1, 2012 to March 6, 2013, and \$630,848 for fiscal 2012, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, including accounts receivable, inventory, fixed assets, and intangible assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and noncurrent based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Accounting guidance for income taxes, provides a two-step approach to recognizing and measuring tax benefits when the benefits' realization is uncertain. The first step is to determine whether the benefit is to be recognized. The second step is to determine the amount to be recognized. The two-step approach is outlined below:

- Income tax benefits should be recognized when, based on the technical merits of a tax position, the company believes that if a dispute arose with the taxing authority and was taken to a court of last resort, it is more likely than not (i.e., a probability of greater than 50%) that the tax position would be sustained as filed; and
- If a position is determined to be more likely than not of being sustained, the amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the taxing authority.

Notes To Consolidated Financial Statements (Continued)

The Company's federal and state tax returns for tax years 2009 and later remain subject to examination by taxing authorities.

If management's assessment of unrecognized tax benefits is not representative of actual outcomes, the consolidated financial statements could be impacted in the period of settlement or when the statute of limitations expires.

Subsequent Events

Management has evaluated subsequent events through December 29, 2014, the date which the consolidated financial statements were available for issue.

3. Inventories

Inventories consist of:

	<u>Successor</u> <u>2013</u>	<u>Predecessor</u> <u>2012</u>
Raw materials	\$ 688,566	\$1,513,189
Work in process	853,152	464,618
Finished goods	1,740,267	1,979,501
Inventory allowance	—	(22,886)
	<u>\$3,281,985</u>	<u>\$3,934,422</u>

4. Property, Plant And Equipment

Property, plant and equipment consist of:

	<u>Successor</u> <u>2013</u>	<u>Predecessor</u> <u>2012</u>
Land	\$ 450,000	\$ 850,000
Building	1,717,379	6,610,000
Machinery and equipment	5,035,380	6,723,477
Office and equipment	172,074	279,422
Leasehold improvements	1,449,747	4,043,055
Automobiles	5,250	15,429
Equipment not placed in service	156,870	1,652,371
	<u>8,986,700</u>	<u>20,173,754</u>
Less: Accumulated depreciation and amortization	663,350	7,339,799
	<u>\$8,323,350</u>	<u>\$12,833,955</u>

Notes To Consolidated Financial Statements (Continued)

Depreciation and amortization of property, plant and equipment charged against income amounted to \$664,290 for the period from March 7, 2013 to September 30, 2013, \$637,174 for the period from October 1, 2012 to March 6, 2013, and \$630,848 for fiscal 2012, respectively. During the period from March 7, 2013 to September 30, 2013, fully depreciated machinery and equipment with an historical cost of \$940 was disposed.

5. Goodwill

The following table details the changes in the carrying amount of goodwill:

Predecessor:	
Balance - October 1, 2011	\$ 8,156,764
Impairment	—
Balance - September 30, 2012	8,156,764
Impairment	(4,156,807)
Balance - March 6, 2013	3,999,957
Successor:	
Balance - March 7, 2013	3,999,957
Impairment	—
Balance - September 30, 2013	<u>3,999,957</u>

As noted in Note 1, the Company determined there was no impairment in the periods March 7, 2013 to September 30, 2013 and fiscal 2012. As a result of the Company's goodwill impairment analysis at March 6, 2013, the Company determined that the carrying amount of the Company exceeded its estimated fair value. The resulting impairment charge of approximately \$4.16 million was recorded in the period October 1, 2012 to March 6, 2013. The weakened economy and in particular the decline in demand for significant cGMPs and APIs produced by the Company, coupled with continued operating performance below planned levels during the period October 1, 2012 to March 6, 2013 and a weak forecast of future operating results were the contributing factors that lead to the impairment charges recorded in the period October 1, 2012 to March 6, 2013.

There were no accumulated goodwill impairment charges as of September 30, 2013 and 2012, respectively.

6. Intangible Assets

Intangible assets consist of:

	Successor		
	September 30, 2013		
	Asset	Accumulated Amortization	Total
Developed technology	\$ 9,500,000	\$ 554,167	\$ 8,945,833
Trademarks	900,000	—	900,000
In-Process R&D	475,000	—	475,000
	<u>\$10,875,000</u>	<u>\$ 554,167</u>	<u>\$10,320,833</u>
	Predecessor		
	September 30, 2012		
	Asset	Accumulated Amortization	Total
Customer lists	\$ 7,800,000	\$ 2,600,000	\$5,200,000
Trade secrets	1,400,000	1,162,391	237,609
Trademarks	800,000	—	800,000
Noncompete agreements	10,000	10,000	—
	<u>\$10,010,000</u>	<u>\$ 3,772,391</u>	<u>\$6,237,609</u>

Amortization of intangible assets charged against income amounted to \$554,167 for the period from March 7, 2013 to September 30, 2013, \$273,615 for the period from October 1, 2012 to March 6, 2013, and \$752,478 for fiscal 2012, respectively. Projected amortization of intangible assets over the next five years is as follows:

Year	Amount
2015	\$ 950,000
2016	950,000
2017	950,000
2018	950,000
2018	950,000
Thereafter	4,195,833
	<u>\$8,945,833</u>

7. Other Assets

Other assets consist of:

	<u>Successor</u> <u>2013</u>	<u>Predecessor</u> <u>2012</u>
Deferred inventory costs	\$252,995	\$ —
Deferred financing costs	—	1,814,406
Deposits	—	82,972
	<u>252,995</u>	<u>1,897,378</u>
Less: Accumulated amortization	<u>7,028</u>	<u>1,258,361</u>
	<u>\$245,967</u>	<u>\$ 639,017</u>

Amortization of deferred financing costs are charged to interest expense and amounted to \$0 for the period from March 7, 2013 to September 30, 2013, \$109,006 for the period from October 1, 2012 to March 6, 2013, and \$273,335 for fiscal 2012, respectively.

8. Line Of Credit

The Company has a revolving line-of-credit agreement with an affiliate of the stockholder whose borrowings are limited to lesser of, (1) 85% of eligible accounts receivable plus 50% of eligible inventories, or (2) \$4,000,000. Outstanding balances bear interest at a rate equal to the greater of 9% or the 30-day LIBOR rate plus 7%, payable monthly. The rate in effect at September 30, 2013 and 2012 was 9%. All balances then outstanding are due and payable on June 14, 2014. This agreement contains an unused line fee equal to 1% of the available unused balance payable monthly. See Note 9 for details of the credit agreement.

9. Long-Term Debt

Long-term debt consists of:

	<u>Successor</u> <u>2013</u>	<u>Predecessor</u> <u>2012</u>
Note payable to affiliate of stockholder, mortgage loan - secured by all real property, payable in monthly installments of \$65,177 including principal and interest at 9.5%, with a balloon payment due in December 2014	\$ 6,969,148	\$ 7,074,422
Note payable to affiliate of stockholder, last out term loan (meaning if the Company is liquidated, the holder of the last out term loan is paid after the senior debt holders) - secured by all business assets, payable in monthly installments of interest at the greater of 12%	11,392,266	11,452,384
Note payable to affiliate of stockholder, subordinated loan - secured by all business assets, payable in monthly installments of interest only at 12.5%, due in December 2014. Principal balance of \$6,000,000. Carrying amount at September 30, 2013 is net of unamortized fair value discount of \$3,234,723, based on an effective interest rate of 83%.	2,765,277	6,000,000
	21,126,691	24,526,806
Less: Current maturities	116,008	225,631
Long-term debt	<u>\$21,010,683</u>	<u>\$24,301,175</u>

The 30-day LIBOR was 0.1806% and .02213% at September 30, 2013 and 2012, respectively.

Contractual scheduled maturities of the above debt are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 116,008
2016	24,245,406
	<u>\$24,361,414</u>

Contractual interest expense incurred on all debt amounted to \$1,868,377 for the period from March 7, 2013 to September 30, 2013, \$1,305,843 for the period from October 1, 2012 to March 6, 2013, and \$3,396,568 for fiscal 2012, respectively.

Notes To Consolidated Financial Statements *(Continued)*

As part of the 2013 acquisition of RBC, all assets and liabilities were adjusted to fair value. The Company obtained a third party appraisal to assist in determining the fair values. It was determined that the fair value of the acquired subordinated loan was \$2,066,683, a discount of \$3,933,317 from its principal balance due. The discount will be amortized over the remaining life of the note as non-cash interest expense. The fair values of the other notes were the same as their principal balance due. Non-cash interest expense related to the discount amounted to \$698,582 during the period from March 7, 2013 to September 30, 2013.

All debt instruments contain certain restrictive covenants, which among other things; establish minimum consolidated EBITDA and maximum capital expenditures. The Company was in compliance with its covenants as of September 30, 2013.

As part of the 2013 acquisition of RBC, the lender waived all covenant breaches in prior periods as well as payment default that occurred under previous ownership. The conditional interest resulting from the failure to meet previous debt covenants under previous ownership totaled \$774,000 at March 7, 2013 and will not accrue additional interest. This conditional interest is due only upon a future change in control and no liability is recorded in the consolidated statements for this amount.

During fiscal 2012, the Company amended its credit agreement. As a result of the amendment, the Company paid expenses to the finance company in the amount of \$22,071 which were capitalized and are included in other assets (Note 7). The amendment changed the restrictive debt covenants and provided for conditional interest in the event certain of these covenants are not met.

10. Common Stock

At September 30, 2013, the authorized common stock of the Company consists of one class of common stock with 10,000,000 shares authorized.

At September 30, 2012, the authorized common stock of the Company consists of 39,999 shares of Class A common stock and 1 share of Class B common stock. Both classes of stock have a par value of \$0.001 per share. In general, with respect to the election of directors, the holder of the Class B common stock, voting as a separate class, is entitled to elect one member of the board of directors (Class B director). The vote of the Class B director shall be counted for all purposes as ten votes. The issued and outstanding share of Class B common stock is held by RBC Investment Holdings, LLC. In the event of any transfer of the share of Class B common stock to any person or entity other than RBC Investment Holdings, LLC or an affiliate of RBC Investment Holdings, LLC, such share of Class B common stock shall automatically be converted into one share of Class A common stock.

11. Common Stock Warrants

RBH issued 756 warrants in 2008. An additional 305 warrants were issued to the original warrant holder in 2012 to protect the holder from dilution resulting from the issuance of preferred stock during the year. These warrants are subject to adjustment for certain future dilution (as defined in the warrant agreement), to the debt holder to purchase shares of RBH's common stock. The exercise price of the warrants is \$1,000 per share. The contractual life of the warrants is 20 years, expiring in October 2027 and June 2032. The warrant holders have the option to require the Company to repurchase the warrants at the warrant put price (as defined and subject to certain restrictions in the warrant agreement) at any time after the earlier of (1) a change in control of RBH (as defined in the warrant agreement) at any time after the earlier of (1) a change in control of RBH (as defined in the warrant agreement), or (2) December 2014. The warrants are accounted for as derivative financial instruments, with fair value adjustments recorded through current earnings. The change in fair value of the warrants during the period from October 1, 2012 to March 6, 2013 and fiscal 2012 resulted in a decrease of \$1,060,543 and \$108,529, respectively, to the put warrant liability, which is presented separately in the accompanying statement of operations.

RBC ACQUISITION CORP. AND SUBSIDIARY

Notes To Consolidated Financial Statements *(Continued)*

The following table set forth by level, within the fair value hierarchy, the Company's put warrant liability measured at fair value:

	September 30, 2012			Total
	Level 1	Level 2	Level 3	
Put Warrants	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,060,543</u>	<u>\$1,060,543</u>

There were no warrants outstanding at September 30, 2013.

The following is a reconciliation of the beginning and ending balances for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Put Warrants
Balance - October 1, 2011	\$ 952,014
Change in fair value recognized in earnings	108,529
Balance - October 1, 2012	1,060,543
Change in fair value recognized in earnings	(1,060,543)
Balance - March 6, 2013	<u>\$ —</u>

12. Preferred Stock

Series A Preferred Stock (Series A) is redeemable, at the option of the Company or the holder, for an amount equal to the original purchase price plus all accrued and unpaid dividends. All unpaid dividends to Series A stockholders must be paid before declaring a dividend to common stockholders. Series A holds dividend and liquidation preferences over common stock. On matters presented to the stockholders of the Company, the holders of Series A shall not be entitled to vote.

Notes To Consolidated Financial Statements *(Continued)*

During the period from March 7, 2013 to September 30, 2013, 2,299,000 shares of Series A were issued at a price of \$1 per share. The Company recorded a Series A preferred stock dividend of \$147,463 during the period. The dividend rate is determined by the aggregate amount of outstanding shares of Series A as follows:

<u>Aggregate Amount of Outstanding Shares of Series A Preferred Stock</u>	<u>Rate</u>
Up to 1,000,000	8.0%
Up to 2,000,000	10.0%
Up to 3,000,000	12.5%
Up to 4,000,000	17.5%
Up to 5,000,000	25.0%

Prior to March 7, 2013, preferred stock was convertible, at the option of the holder, into such number of fully paid and nonassessable shares of Class A common stock by dividing the original issue price, plus any accrued but unpaid dividends thereon, by the conversion price in effect at the time of conversion, \$1,000 at September 30, 2012. The conversion price is adjusted in the event of a stock dividend, stock split, combination, other recapitalization or upon issuance of securities at a price below the conversion price. Conversion to common stock is mandatory upon the sale of shares of common stock to the public under the Securities Act of 1933 resulting in minimum gross proceeds of \$50 million or by a 67% vote of preferred shareholders. Series B preferred stock accrues dividends on a cumulative basis at the rate of 8% per annum, payable only when, as, and if, declared by the Board. All unpaid dividends to preferred stockholders must be paid before declaring a dividend to common stockholders. If the Company then declares and pays a dividend to common stockholders, each preferred stockholder shall be entitled to receive an additional dividend in the amount that would be paid had the preferred stockholder converted their preferred shares to common shares. Preferred stock holds dividend and liquidation preferences over common stock. On matters presented to the stockholders of the Company, each holder of preferred stock shall be entitled to cast the number of votes equal to the number of convertible voting common stock shares available on the date of such matters.

During fiscal 2012, 3,510 shares of preferred stock were issued at a price of \$1,000 per share. As part of the issuance, approximately \$115,000 in fees and expenses were paid to third parties. The Company recorded the proceeds from the issuance of the convertible preferred stock to preferred stock and additional paid-in capital, net of the fees and expenses paid. The common stock of the Company had a fair value of approximately \$2,000 per share at the time the preferred shares were issued. As such, there is a beneficial conversion feature of the preferred stock. The intrinsic value of the beneficial conversion feature is \$1,000 per share or \$3,510,000 in the aggregate. The preferred shares could be immediately converted to common shares, and thus the beneficial conversion feature is recognized immediately as a dividend in the consolidated statement of stockholders' equity. Accrued preferred dividends related to the preferred stock amounted to \$84,451 at September 30, 2012.

13. Profit Sharing 401(k) Plan

The Company has a qualified, noncontributory, trustee profit sharing 401(k) plan (the Profit Sharing Plan) covering substantially all employees. Employees may contribute 1% to 50% of their annual compensation to the Profit Sharing Plan, within federal guidelines. The Company may elect to match a percentage of the employee contributions in accordance with the provisions set forth in the Profit Sharing Plan. The Company made matching contributions of \$70,370 during the period from March 7, 2013 to September 30, 2013, \$46,153 for the period October 1, 2012 to March 6, 2013, and \$104,041 for fiscal 2012.

In addition, the Company may also make discretionary profit sharing contributions to the Profit Sharing Plan. No such contributions were made to the Profit Sharing Plan during the period.

14. Share-Based Compensation

During the period March 7, 2013 to September 30, 2013, the Company established the RBC Acquisition Corp. 2013 Stock Incentive Plan (the Plan). The Board of Directors, at its discretion, may grant options to eligible participants. Share options under the Plan vest over a period of four years. The number of shares subject to options available for issuance under the Plan cannot exceed 666,667. During the period, the Board of Directors issued 601,337 options with an exercise price of \$.0005 to various employees of the Company. The grant date fair value of the options granted was estimated at \$0 per option calculated using the Black-Scholes valuation model with the following assumptions:

Expected volatility	23.8%
Expected dividends	—
Expected term	4 years
Risk-free rate	1.20%

A summary of the activity under the Plan's as of September 30, 2013, and changes during the period then ended is presented below:

Employee And Director Options	Shares	Weighted-Average	
		Exercise Price	Remaining Contractual Term
Outstanding at March 7, 2013	—	\$ —	—
Granted	601,337	0.0005	4
Outstanding at September 30, 2013	<u>601,337</u>	<u>\$0.0005</u>	<u>3.9</u>
Exercisable at September 30, 2013	<u>601,337</u>	<u>\$0.0005</u>	<u>3.9</u>

Prior to March 7, 2013, RBH had three share-based compensation plans; the 2007 Employee Stock Option Plan (as amended), the 2007 Director Stock Option Plan, and the 2011 Employee Stock Option Plan (as amended) (the Plans). Under the 2007 and 2011 Employee Stock Option Plans, at its discretion RBH grants selected executives and other key employees share option awards whose vesting is contingent upon the Company's achievement of stated performance metrics, as defined in the agreements. The 2007 Employee Stock Option Plan was amended in 2011 to lower the performance metrics required in the agreement. This plan was again amended in 2012 to lower the performance metrics, reduce the exercise price, and extend the vesting period. The 2011 Employee Stock Option Plan was amended in 2012 to extend the vesting period, reduce the exercise price and extend by one year the performance metrics. Share options under these Plans are generally granted at-the-money and have contractual lives not to exceed 10 years. Share options under the 2007 Employee Stock Option Plan contingently vest over a period of 5 years, depending on the achievement of the performance goals. Share options under the 2011 Employee Stock Option Plan vest fully in the year the stated performance metrics are met. No compensation was charged against operations for the 2011 Employee Stock Option Plan for the period October 1, 2012 to March 6, 2013 or fiscal 2012 as the vesting-related performance measures were not achieved. Compensation expense of \$0 and \$38,347 was charged against operations for the 2007 Employee Stock Option Plan for the period October 1, 2012 to March 6, 2013 and fiscal 2012, respectively. Under the 2007 Director Stock Option Plan, at its discretion RBH grants selected directors share option awards that generally vest based on five years of continuous service and have contractual lives not to exceed 10 years. Compensation expense of \$0 and \$6,880 was charged against operations for the Director Stock Option Plan for the period October 1, 2012 to March 6, 2013 and fiscal 2012, respectively. The combined number of shares subject to options available for issuance under the Plans cannot exceed 1,846. The grant date fair value of the options granted in 2012 was estimated at \$1,050 per option calculated using the Black-Scholes valuation model with the following assumptions:

Expected volatility	21.6%
Expected dividends	—
Expected term	5 years
Risk-free rate	0.63%

A summary of the activity under the Plans' as of September 30, 2012, and changes during the year then ended is presented below:

Employee And Director Options	Shares	Weighted-Average	
		Exercise Price	Remaining Contractual Term
Outstanding at September 30, 2011	1,739	\$ 1,706	7.6
Granted	190	1,000	
Forfeited	(150)	1,000	
Outstanding at September 30, 2012	<u>1,779</u>	<u>\$ 1,000</u>	<u>7.6</u>
Exercisable at September 30, 2012	<u>330</u>	<u>\$ 1,000</u>	<u>6.6</u>

As permitted under the accounting rules for share-based payments for nonpublic entities, the Company has elected to use the calculated value method to account for the options it issued during the period. A nonpublic entity that is unable to estimate the expected volatility of the price of its underlying shares may measure awards based on a "calculated value," which substitutes the volatility of an appropriate index for the volatility of the entity's own share price. Currently, there is no active market for the Company's common shares. In addition, management has determined that it is unable to reasonably estimate the fair value of the options on the date of grant because the Company has not been able to identify a similar publicly held entity that can be used as a benchmark. Therefore, as a substitute for volatility, the Company used the historical volatility of a Biotechnology Index, which is representative of the Company's size and industry. The Company has used the historical closing values of that index to estimate volatility.

As of September 30, 2012 there was approximately \$1,551,000, of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plans. The total fair value of shares vested during the year ended September 30, 2012 was approximately \$45,000.

15. Related Party Transactions

Prior to March 7, 2012, Med Opportunity Partners LLC (Medop) was a significant owner and manager of RBC Investment Holdings, LLC which is the majority stockholder of RBH. Medop provided management services to RBC. The management agreement provided for RBC to pay monthly management fees plus reimbursement of out-of-pocket costs incurred. The monthly management fee was \$45,833 through May 2012. The Management Services Agreement was amended during fiscal 2012 resulting in a reduction of the monthly management fee to \$29,166 effective in June 2012 through May 2013.

16. Income Taxes

The federal and state income deferred tax benefit is summarized as follows:

	<u>Successor</u>	<u>Predecessor</u>	
	<u>Period Ended</u> <u>September 30, 2013</u>	<u>Period Ended</u> <u>March 6, 2013</u>	<u>Fiscal Year Ended</u> <u>September 30, 2012</u>
Current:			
Federal	\$ —	\$ —	\$ 620,655
State	—	—	80,406
Deferred:			
Federal	1,091,245	524,536	2,233,947
State	112,334	50,140	213,539
Total income tax benefit	<u>\$ 1,203,579</u>	<u>\$ 574,676</u>	<u>\$ 3,148,547</u>

A reconciliation of income tax benefit with amounts determined by applying the statutory U.S. federal income tax rate to income before income taxes is as follows:

	Successor	Predecessor	
	Period Ended September 30, 2013	Period Ended March 6, 2013	Fiscal Year Ended September 30, 2012
Benefit for federal income taxes at the statutory rates	\$ 1,087,556	\$ 1,941,991	\$ 2,908,463
Benefit for state income taxes	111,829	91,478	295,242
Valuation allowance	—	(425,604)	—
Research and development credit	5,406	31,634	—
Meals and entertainment	(1,212)	(614)	—
Goodwill impairment	—	(1,413,314)	—
Change in fair value of put warrants	—	360,585	(36,900)
Prior year permanent adjustments	—	—	2,643
Change in estimated tax rate	—	—	(20,901)
Other adjustments	—	(11,480)	—
Total income tax benefit	\$ 1,203,579	\$ 574,676	\$ 3,148,547

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	Successor	Predecessor
	Period Ended September 30, 2013	Fiscal Year Ended September 30, 2012
Current deferred tax assets (liabilities):		
Accrued liabilities and allowances	\$ 436,575	\$ 169,244
Accrued compensation	43,752	40,175
Prepaid insurance	(3,762)	(9,375)
Total current deferred tax assets	476,565	200,044
Long-term deferred tax assets (liabilities):		
Intangible assets	(3,870,312)	(2,339,103)
Deferred compensation	—	87,376
Amortization of deferred financing costs	—	(15,125)
Subordinated debt	(1,213,021)	—
Property and equipment	649,634	(917,660)
Net operating loss carryforwards	2,664,638	1,855,328
R&D carryforward	5,406	254,463
Total long-term deferred tax liabilities	(1,763,655)	(1,074,721)
Net deferred tax liabilities	\$ (1,287,090)	\$ (874,677)

At September 30, 2013, the Company had approximately \$7,100,000 in unused net operating loss carryforwards that may be applied against future taxable income. Of that amount, approximately \$5.4 million is limited to a maximum usage of approximately \$1,100,000 per year, and these net operating losses expire in September 2017. The remaining \$1,700,000 of net operating losses has no limitations as to use per year, and expire in September 2033.

17. Sales Concentration

The Company has a concentration with three customers to whom it sells several commercial products and provides research and development services. Transactions with these three customers accounted for approximately \$2,968,000 or 32% of total sales for the period March 7, 2013 to September 30, 2013. Accounts receivable from these three customers amounted to approximately \$741,000, or 32% of gross accounts receivable at September 30, 2013.

The Company has a concentration with three customers to whom it sells several commercial products and provides research and development services. Transactions with these three customers accounted for approximately \$3,742,333 or 81% of total sales for the period October 1, 2012 to March 6, 2013. Accounts receivable from these three customers amounted to approximately \$973,601 or 81% of gross accounts receivable at March 6, 2013.

The Company has a concentration with four customers to whom it sells several commercial products and provides research and development services. Transactions with these four customers accounted for approximately \$5,981,000 or 60% of total sales in fiscal 2012. Accounts receivable from these four customers amounted to approximately \$421,000, or 17% of gross accounts receivable at September 30, 2012.