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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
HOMECA RECYCLING CENTER CO., INC.
Caguas, Puerto Rico

Management is responsible for the accompanying projection of **HOMECA RECYCLING CENTER CO., INC.**, which comprises the projected balance sheets as of June 30, 2024 and 2025, and the related projected statements of income and retained earnings and cash flows for the two months ending June 30, 2024 and the year ending June 30, 2025, and the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

The projected results may not be achieved, as there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

License No. 4746
Expires December 1, 2026

San Juan, Puerto Rico
June 27, 2024

Stamp Number
2802198
was affixed
to original

ELIZARDO E. MEDERO MONTIJO
CONTADOR PÚBLICO AUTORIZADO
LIC. NO. 4746
PUERTO RICO

HOMECA RECYCLING CENTER CO., INC.

PROJECTED BALANCE SHEETS UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 1
(Compilation)

ASSETS

	JUNE 30, 2024	JUNE 30, 2025
Current Assets:		
Cash in Bank and in Hand (Note 1)	$ 50,000	$ 30,000
Accounts Receivable-Trade- net of an allowance for doubtful accounts of $0 for 2024 and 2025 (Note 1)	325,000	285,000
Inventories- at cost (Note 1)	4,550,000	4,400,000
Prepaid Taxes and Other Expense	435,000	435,000
Marketable Equity Securities (Note 1)	90,000	95,000
Total Current Assets	5,450,000	5,245,000
Property and Equipment - at cost (Note 1, 5 and 6)	6,540,000	6,420,000
Total Assets	$11,990,000	$11,665,000

See Accompanying summary and schedules of significant projections assumptions and accounting policies.

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HOMECA RECYCLING CENTER CO., INC.

PROJECTED BALANCE SHEETS UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 1

(Compilation)

LIABILITIES

	JUNE 30, 2024	JUNE 30, 2025
Current Liabilities:		
Line of Credit (Note 1)	$ 770,000	$ 500,000
Accounts Payable-Trade	200,000	175,000
Accrued Expenses and Taxes	26,063	23,831
Accrued Expenses-EPA Penalty (Note 8)	156,000	156,000
Current Portion of Long - Term Debt (Note 1, 5 and 7)	42,258	2,169
Current Portion of Installment Notes Payable (Note 6)	92,000	90,000
Total Current Liabilities	1,286,321	947,000
Due to Related Parties (Note 2)	1,609,453	2,260,943
Long - Term Debt, Net of Current Portion (Note 1, 5 and 7)	147,000	144,831
Installment Notes Payable, Net of Current Portion (Note 6)	340,000	250,000
Total Liabilities	3,382,774	3,602,774
Stockholders' Equity:		
Common Stock, 10,000 authorized shares at $100 par value, 100 shares issued and outstanding	10,000	10,000
Retained Earnings	8,597,226	8,052,226
Total Stockholders' Equity	8,607,226	8,062,226
Total Liabilities and Stockholders' Equity	$11,990,000	$11,665,000

See Accompanying summary and schedules of significant projections assumptions and accounting policies.

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HOMECA RECYCLING CENTER CO., INC.

PROJECTED STATEMENT OF INCOME AND RETAINED EARNINGS UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 1

Two Months Ending June 30, 2024 and Year Ending June 30, 2025
(Compilation)

	2024	2025
REVENUES		
Net Sales	$ 11,500,000	$ 10,000,000
Cost of Sales	7,877,500	6,740,000
Gross Margin on Sales	3,622,500	3,260,000
OTHER REVENUE		
Employee Retention Credit (Note 7)	849,393	0
Total Revenue	4,471,893	3,260,000
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries And Related Payroll Taxes	1,500,000	1,230,500
Office Expenses	69,500	60,000
Rent Expense	175,000	185,000
Repairs and Maintenance	1,370,600	1,237,000
Professional Services	370,500	126,000
Interest	95,000	50,000
Utilities	31,000	30,000
Corporate Taxes	75,000	60,000
Depreciation and Amortization	210,000	220,000
Insurance Expense	350,000	375,000
Bank Charges	35,000	30,000
Other Expenses	250,293	206,500
Total Expenses	4,531,893	3,810,000
Income (Loss) Before Income Tax	(60,000)	(550,000)
Income Tax Expense (Note 3)	0	0
Net Income (Loss)	(60,000)	(550,000)
Other Comprehensive Loss: (Note 1)		
Unrealized Loss on Available for Sale Securities	5,994	5,000
Retained Earnings– Beginning of year	8,651,232	8,597,226
Dividends	0	0
Retained Earnings – End of Year	$ 8,597,226	$ 8,052,226

See Accompanying summary and schedules of significant projections assumptions and accounting policies.

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HOMECA RECYCLING CENTER CO., INC.

PROJECTED STATEMENT OF CASH FLOWS UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 1

Two Months Ending June 30, 2024 and Year Ending June 30, 2025
(Compilation)

	2024	2025
INCREASE (DECREASE) IN CASH:		
Cash Flows from Operating Activities:		
Cash Received-		
From Clients	$11,291,035	$10,040,000
Other Income	849,393	0
Cash Paid-		
Payments to Suppliers	(7,573,347)	(6,615,000)
Salaries, Wages and Payroll Taxes	(1,512,561)	(1,232,732)
Interest Paid	(95,000)	(50,000)
Income Tax	(0)	(0)
Other General and Administrative	(2,726,893)	(2,309,500)
Net Cash Provided (Used) by Operating Activities	232,627	(167,232)
Cash Flows from Investing Activities:		
Cash Received from Sale of Land	132,993	0
Property and Equipment Acquisition	(128,268)	(100,000)
Net Cash Used by Investing Activities	4,725	(100,000)
Cash Flows from Financing Activities:		
Advances (Repayments) to Related Parties	(17,291)	651,490
Advances from (to) Clients	(320,000)	(0)
Advances (Repayments) of Line of Credit	126	(270,000)
Issuance (Repayments) of Long-Term Debt	(115,446)	(134,258)
Net Cash Provided (Used) by Financing Activities	(452,611)	247,232
Net Increase (Decrease) in Cash	(215,259)	(20,000)
Cash-Beginning of Year	265,259	50,000
Cash-End of Year	$ 50,000	$ 30,000

See Accompanying summary and schedules of significant projections assumptions and accounting policies.

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HOMECA RECYCLING CENTER CO., INC.

PROJECTED STATEMENT OF CASH FLOWS UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 1

Two Months Ending June 30, 2024 and Year Ending June 30, 2025
(Compilation)

RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	2024	2025
Net Loss	$ (60,000)	$ (550,000)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	210,000	220,000
Bad Debts	0	0
Decrease (Increase) in Assets-		
Accounts Receivable	(208 441)	40,000
Inventory	337,842	150,000
Prepaid Expenses	(524)	0
Increase (Decrease) in Liabilities-		
Accounts Payable-Trade	(33,689)	(25,000)
Accrued Expenses and Taxes	(12,561)	(2,232)
Net Adjustments	292,627	382,768
Net Cash Provided (Used) by Operating Activities	$ 232,627	$ (167,232)

See Accompanying summary and schedules of significant projections assumptions and accounting policies.

1. SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

Homeca Recycling Center Co., Inc. is a corporation organized under the laws of the Commonwealth of Puerto Rico on April 6, 2001. The main commercial activity is the buying, processing and selling of recyclable material in bulk for export, as well as other related activities. Actually, the Company operates five (5) processing centers in Hormigueros, Ponce, Caguas and Loiza.

NATURE AND LIMITATIONS OF PROJECTIONS

These financial projections present, to the best of management's knowledge and belief, the Company's expected financial position, results of operations, and cash flows for the two months ending June 30, 2024 and the year ending June 30, 2025. Accordingly, the projections reflect management's judgment as of June 27, 2024, the date of these projections, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the projections. There will usually be differences between the projections and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

ACCOUNTING METHOD AND USE OF ESTIMATES

The Company financial statements were prepared using the accrual method of accounting. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACCOUNTS RECEIVABLE

The projections assume that all trade receivables due to the Company will be comparable to previous years. The current allowance for doubtful accounts is estimated based on percentages of past due accounts and on the periodic analysis of the aging of accounts. Write-off is charged to the allowance when determined fully uncollectible. Management estimates that all receivable will be collected net of adjustments for scrap metals condition and weight differences, thus no balance of the reserve was necessary.

INVENTORIES

The projections assume a reduction of inventories due to a global reduction in scrap metal prices. Inventory consists of recyclable materials such as aluminum, bronze, steel and other metals, which are susceptible to market fluctuations. Inventories are stated at lower of cost or market. As of balance sheet date, the inventory consists of the following:

(Continues)...

1. SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES, (Continued)

	2024	2025
Plants		
Hormigueros	$ 100,000	$ 90,000
Caguas	1,300,000	1,260,000
Loiza	950,000	920,000
Guayama	960,000	930,000
Ponce- Mercedita	40,000	30,000
Ponce- South Ferrous	1,200,000	1,170,000
Total Inventories	$ 4,550,000	$ 4,400,000

PROPERTY AND EQUIPMENT

The projections assume that no material acquisitions of property and equipment will be made during the projected periods. Property and equipment are stated at cost. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are expensed as incurred; major additions and betterments are capitalized. Property and equipment are summarized as follows:

	2024	2025
Machinery & Equipment	$7,531,242	$7,631,242
Land	4,753,407	4,753,407
	12,284,649	12,384,649
Less: Accumulated Depreciation	5,744,649	5,964,649
Net Property and Equipment	$6,540,000	$6,420,000

MARKETABLE EQUITY SECURITIES

The projections assume that the unrealized loss from investments will have no material value changes. Projected cost and fair value of available-for-sale equity securities, follows:

Available for sale equity securities	Amortized Cost	Gross Unrealized Loss	Fair Value
2024	$250,000	($160,000)	$ 90,000
2025	$250,000	($155,000)	$ 95,000

The change in net unrealized holding losses on available for sale equity securities have been charged to other comprehensive income (loss).

REVENUES AND EXPENSES

The projections assume a decrease in revenues due to the global reduction in scrap metal prices. This tendency comes from the two (2) previous years. To counteract the reduction in scrap prices, management will continuously reduce the price they pay for the scrap metal that arrives at the yards. Due to competition this reduction cannot be as dramatic as scrap price reductions. Also, direct costs like freight expenses are projected more increases in the following years.

1. SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES, (Continued)

LINES OF CREDIT

The projections assume that the two lines of credit will still be used during the following years. The top limit of the two lines of credits is $800,000. The credit lines have interest rate from 5% to 6%. The collateral of said credit facility are two officer's certificates of deposit with the same bank institution.

2. DUE FROM (TO) RELATED PARTIES

Management expects no major changes to related parties' balances. The amounts due from (to) related parties comprise net advances provided for working capital in the current year. There is no definite due dates or repayment schedule for these amounts. The final outcome of these related transactions depends on common management decisions.

3. TAX EXEMPTION GRANT

On June 20, 2023, the Company filed a renewal, under the Puerto Rico Industrial Incentive Act No. 135 of December 2, 1997, of a twenty (20) years partial tax exemption for income, property, and municipal taxes on its recycling operations, as follows:

Income	-	7% tax rate
Property	-	90% exempt
Municipal	-	60% exempt

The Corporation records the provision for income tax based on the pre-tax operating income and applying the tax exemption grant. Based on the fact that Management projects losses for 2024 and 2025 no provision for income tax was included.

The exemption requires the Company to maintain the established levels of employment, services as well as the operations in Puerto Rico.

4. COMMITMENTS

LEASE AGREEMENTS

Company has a rental agreement contract with the Municipality of Ponce for operating space in Puerto del Sur, Ponce Puerto Rico.

5. LONG TERM DEBT

The projections include actual Long-term debt as follows:

	2024	2025
3.75% note payable to SBA, payable in monthly installments of $731 including interest, first payment to be made during 2024-2025, due on May 2051 and secured by stockholders. Refer to Note 7.	147,000	147,000
7.00% or 3% over prime whichever is greater note payable to local bank, payable in 60 monthly installments of $7,043.06 plus interest due on December 2024. Secured by the land referred to in Note 1, and by stockholders.	42,258	0
Total	$ 189,258	$ 147,000
Less: Current Portion	42,258	2,169
Long-Term Portion	$ 147,000	$ 144,831

Maturity of these long-term debts for the next five years is as follows:

	2024	2025
2025	$ 42,258	$ 0
2026	2,169	2,169
2027	2,350	2,350
2028	2,700	2,700
2029 and thereafter	139,781	139,781
	189,258	147,000
Less: Current Portion	42,258	2,169
Long-Term Portion	$ 147,000	$ 144,831

6. INSTALLMENT NOTES PAYABLE

The projections include actual installment notes payable and management does no expects to issue another note payable. Balance consists of the following:

Three Notes Payable to CAPEX with interest from 9.60% to 10.21%, one payable in monthly installments of $1,528 and two notes payable in instalments of $5,177 each. One due in February 2025 and two in September 2028. Secured by the machinery financed.

Maturity of these long-term debts for the next five years is as follows:

	2024	2025
2025	$ 92,000	$ 0
2026	100,000	90,000
2027	115,000	115,000
2028	125,000	135,000
	432,000	340,000
Less: Current Portion	92,000	90,000
Long-Term Portion	$ 340,000	$ 250,000

7. EMPLOYEE RETENTION CREDIT - COVID 19

During the COVID-19 crisis, the IRS designed a credit for companies that retained their employees even though they were affected during the coronavirus global pandemic. This was a one time claim that was received during the year ending June 30, 2024, therefore included as other income.

Also, the Company received from SBA a long-term loan in the amount of $150,000. This was a 30 years loan at 3.75% interest rate paying $731 including interest, refer to Note 5.

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8. CONTINGENCIES

The projections assume that the EPA case will be settle during the year ending 2025. Since 2013, the Company had a claim brought by EPA in relation to work performed by the Company at the Tallaboa Industrial Park in Peñuelas, PR. In 2009, Tallaboa Industrial Park LLC ("TIPLLC") hired the Company to conduct certain demolition and renovation activities at the Tallaboa Industrial Park, including asbestos abatement activities and scrap metal removal. On November 21, 2013, EPA conducted a compliance inspection at the Tallaboa Industrial Park with regard to demolition and renovation activities. On November 27, 2013, EPA issued a Field Notice of Special Interest in which EPA asserted that sampling results indicated there had been a release of asbestos fibers at and from the Tallaboa Industrial Park. In December 2013, EPA conducted sampling activities at the Jorge Lucas Perez Valdivieso School (the "School") and the Tallaboa Encarnacion Head Start (the "Head Start"). Following review of the sampling results, EPA asserted that asbestos fibers identified in sampling activities at the School and Head Start migrated from the Tallaboa Industrial Park. EPA alleged that the Company and TIPLLC were jointly and severally liable under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") for the investigation and clean-up of asbestos contamination at the School and the Head Start.

The Company has denied that it is responsible for a release of asbestos at the Tallaboa Industrial Park and has denied that it is responsible for asbestos contamination at or beyond the boundaries of the Tallaboa Industrial Park, including at the School and the Head Start. The Company has also denied that it conducted demolition and renovation activities in violation of the National Emission Standard for Asbestos (NESHAP) under the federal Clean Air Act. Homeca submitted notice of EPA's CERCLA and Clean Air Act claims under the insurance policy issued by AIG to Homeca and AIG has accepted the claim under a reservation of rights.

On March 20, 2014 the Company and TIPLLC entered into the Administrative Settlement Agreement and Order on Consent ("AOC") in order to resolve EPA's CERCLA claim concerning asbestos contamination at the School and the Head Start. Pursuant to the AOC, Homeca agreed to abate the asbestos contamination identified at the School and the Head Start. Under the AOC, Homeca and TIPLLC also agreed to reimburse EPA for certain response costs incurred by EPA in connection with the oversight of abatement activities at the School and the Head Start. Homeca incurred over $250,000 in connection with these abatement activities. Some portion of these abatement costs and legal fees incurred in connection with the AOC were reimbursed by AIG pursuant to the insurance policy. EPA contends that it has incurred approximately $315,000 in response costs for which Homeca and TIPLLC are responsible under the AOC.

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8. CONTINGENCIES, (Continued)

Homeca made an offer to EPA in which Homeca will reimburse $146,000 which represents 50% of EPA's oversight costs incurred in connection with this AOC. The remaining 50% should be reimburse by Tallaboa Industrial Park, LLC (TIP). Although the total amount is a joint obligation between both companies, is the attorney's opinion that it is remote that the EPA will make a claim to Homeca for the other 50%, since Homeca has complied with and met all of its reasonable obligations in relation to this AOC.