EVERCEL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 27, 2015 and MARCH 28, 2014

EVERCEL, INC. AND SUBSIDIARIES
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McGladrey

Independent Auditor's Report

To the Board of Directors
Evercel, Inc. and Subsidiaries
New York, New York

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Evercel, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of March 27, 2015 and March 28, 2014, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 Evercel, Inc. and its subsidiaries as of March 27, 2015 and March 28, 2014, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Irvine, California
September 10, 2015

EVERCEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars, except share & per share data)

	March 27, 2015	March 28, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,993	$ 19,791
Restricted cash	156	156
Accounts receivable, net of allowances for doubtful accounts and sales returns of $872 and $1,157 as of March 27, 2015 and March 28, 2014, respectively	21,161	20,329
Inventories, net of allowance of $2,456 and $2,525 as of March 27, 2015 and March 28, 2014, respectively	10,214	10,287
Investments, held for sale	-	800
Other current assets	3,302	3,401
Deferred income taxes, net	1,866	1,496
TOTAL CURRENT ASSETS	48,692	56,260
PROPERTY AND EQUIPMENT		
Buildings and improvements	9,045	9,045
Machinery and equipment	3,849	3,535
Furniture and fixtures	3,455	3,327
Leasehold improvements	1,209	1,258
	17,558	17,165
Less: Accumulated depreciation and amortization	(6,600)	(3,691)
PROPERTY AND EQUIPMENT, NET	10,958	13,474
OTHER ASSETS		
Goodwill	12,902	12,902
Other intangible assets, net	23,103	26,166
Long-term deferred income tax, net	5,274	6,964
Other assets	1,242	1,409
TOTAL OTHER ASSETS	42,521	47,441
TOTAL ASSETS	$ 102,171	$ 117,175

See Notes to Consolidated Financial Statements.

EVERCEL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands of dollars, except share & per share data)

	March 27, 2015	March 28, 2014
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 8,683	$ 8,682
Current portion of long-term debt, net of debt discount of $85 and $100 as of March 27, 2015 and March 28, 2014, respectively	6,822	6,848
Accrued liabilities		
Payroll and employee benefits	3,332	6,065
Warranty	316	463
Deferred revenue	2,420	2,844
Restructuring	250	317
Income tax	798	-
Other	1,859	2,439
Other current liabilities	102	100
TOTAL CURRENT LIABILITIES	24,582	27,758
LONG-TERM LIABILITIES		
Deferred revenue, net of current portion	1,286	991
Long-term deferred other	288	475
Contingent consideration	-	617
Long-term senior term debt, net of current portion and of debt discount of $145 and $231 as of March 27, 2015 and March 28, 2014, respectively	31,907	46,340
TOTAL LIABILITIES	58,063	76,181
STOCKHOLDERS' EQUITY		
Preferred stock, Series A convertible 8% cumulative, $0.01 par value (liquidation value of $461 and $427 at March 27, 2015 and March 28, 2014, respectively)	-	-
Preferred stock, Series B convertible 8% cumulative, $0.01 par value (liquidation value of $454 and $421 at March 27, 2015 and March 28, 2014, respectively)	-	-
Common stock, $0.01 par value Authorized 75,000,000 shares; issued and outstanding 32,530,636 shares as of March 27, 2015 and March 28, 2014	325	325
Additional paid-in capital	5,973	6,450
Retained earnings	36,489	28,992
TOTAL CONTROLLING INTEREST	42,787	35,767
Noncontrolling interest	1,321	5,227
TOTAL STOCKHOLDERS' EQUITY	44,108	40,994
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 102,171	$ 117,175

See Notes to Consolidated Financial Statements.

EVERCEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of dollars, except share & per share data)

	March 27, 2015	March 28, 2014
REVENUES	$ 113,404	$ 133,940
COST OF REVENUES	60,953	78,975
GROSS PROFIT	52,451	54,965
OPERATING EXPENSES	41,168	45,062
INCOME FROM OPERATIONS	11,283	9,903
OTHER INCOME (EXPENSE)		
Gain on fair value adjustment of debt	-	2,908
Interest Expense	(2,212)	(4,731)
Gain on sale of investments, net	907	58
Gain on reversal of earnout liability	617	-
Other expense, net	66	(64)
TOTAL OTHER INCOME (EXPENSE)	(622)	(1,829)
Income before income tax (expense) benefit	10,661	8,074
Income tax (expense) benefit	(3,121)	9,570
Net income including noncontrolling interest	7,540	17,644
Net income (loss) attributable to noncontrolling interest	(25)	1,293
NET INCOME ATTRIBUTABLE TO EVERCEL, INC. AND SUBSIDIARIES	$ 7,565	$ 16,351
NET INCOME PER SHARE		
Basic	$ 0.23	$ 0.53
Diluted	$ 0.23	$ 0.53
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING		
Basic	32,530,636	31,069,862
Diluted	32,536,180	31,124,262

See Notes to Consolidated Financial Statements.

EVERCEL, INC. AND SUBSIDIARIES
STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands of dollars, except share & per share data)

	Series A Number of Shares	Series A $0.01 Par Value	Series B Number of Shares	Series B $0.01 Par Value	Number of Shares	$0.01 Par Value	Additional Paid-in Capital	Retained Earnings	Total Evercel, Inc. and Subsidiaries	Noncontrolling Interest	Total Stockholders' Equity
Balance, March 29, 2013	15,806	$ -	15,584	$ -	26,683,280	$ 267	$ 6,365	$ 12,704	$ 19,336	$ 3,934	$ 23,270
Common stock issued	-	-	-	-	207,811	58	4,169	-	4,227	-	4,227
Related-party notes receivable for common stock issued	-	-	-	-	5,639,545	-	(4,199)	-	(4,199)	-	(4,199)
Dividends	1,264	-	1,247	-	-	-	63	(63)	-	-	-
Share-based compensation	-	-	-	-	-	-	52	-	52	-	52
Net income including noncontrolling interest	-	-	-	-	-	-	-	16,351	16,351	1,293	17,644
Balance, March 28, 2014	17,070	-	16,831	-	32,530,636	325	6,450	28,992	35,767	5,227	40,994
Dividends	1,366	-	1,346	-	-	-	68	(68)	-	-	-
Share-based compensation	-	-	-	-	-	-	52	-	52	-	52
Purchase of subsidiary shares of noncontrolling interest	-	-	-	-	-	-	(597)	-	(597)	(3,881)	(4,478)
Net income (loss) including noncontrolling interest	-	-	-	-	-	-	-	7,565	7,565	(25)	7,540
Balance, March 27, 2015	18,436	$ -	18,177	$ -	32,530,636	$ 325	$ 5,973	$ 36,489	$ 42,787	$ 1,321	$ 44,108

See Notes to Consolidated Financial Statements.

EVERCEL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)

	Fiscal year ended March 27, 2015	Fiscal year ended March 28, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income including noncontrolling interest	$ 7,540	$ 17,644
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities:		
Loss on write-down of inventories	974	617
Gain on fair value adjustment of debt	-	(2,908)
Capitalized interest to long-term note payable	-	1,181
Gain on reversal of earn-out liability	(617)	-
Loss on disposal of property and equipment	121	194
Deferred income tax provision	1,320	(10,065)
Increase in allowance for doubtful accounts	(15)	221
Stock-based compensation	52	52
Depreciation and amortization	6,247	6,218
Amortization of debt issuance and deferred financing costs	264	483
Gain on sale of investments	(907)	-
Changes in operating assets and liabilities:		
Accounts receivable	(658)	2,659
Inventories	(861)	4,646
Other current assets	(15)	(107)
Accounts payable	201	(2,388)
Accrued expenses	(2,948)	1,202
Other current liabilities	(890)	(90)
Deferred revenue	(128)	514
Income taxes payable	990	(618)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	10,670	19,455
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(877)	(1,110)
Proceeds from disposition of property and equipment	47	6
Net proceeds from sale of investments	1,500	478
Purchase of shares in subsidiary	(4,478)	-
Restricted cash	-	(156)
NET CASH USED IN INVESTING ACTIVITIES	(3,808)	(782)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment from shareholders	-	30
Payments made on note payable to shareholder	(100)	-
Proceeds from short-term revolving credit facility	-	6,000
Proceeds from issuances of long-term debt	-	44,000
Proceeds from inception of mortgage	-	7,122
Effect of exchange rate changes on mortgage	(437)	(21)
Payments of debt financing costs	-	(809)
Payments made on revolving credit facility	(6,000)	-
Payments on long-term debt	(8,123)	(67,327)
NET CASH USED IN FINANCING ACTIVITIES	(14,660)	(11,005)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,798)	7,668
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	19,791	12,123
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	$ 11,993	$ 19,791
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash paid during the period for income taxes	$ 845	$ 1,051
Cash paid during the period for interest	$ 1,980	$ 3,722

See Notes to Consolidated Financial Statements.

NOTE 1 – NATURE OF BUSINESS

Evercel, Inc.

Evercel, Inc. ("Evercel") is a holding company that oversees and manages subsidiary companies and portfolio investments. Companies owned and managed in 2015 and 2014 include New England Crab Company, Inc. ("NECC"), Sontek Medical, Inc. ("SMI"), Evercel Pioneer Holding Corp. ("Holding"), and MMXIV LLC ("MMXIV"). The consolidated financial statements include the accounts of Evercel and its wholly owned subsidiaries (collectively, the "Company").

Evercel was formerly a publicly listed company; however, management determined that the costs associated with maintaining its public listing could not be justified. Accordingly, in 2004, Evercel delisted its stock and ceased making public filings. Evercel stock is currently traded on the OTC "Pink Sheets." Evercel is not registered with the SEC and is not required to publicly report financial information.

Evercel Pioneer Holding Corp.

Holding, a wholly owned subsidiary of Evercel, was created in 2012 for the purpose of holding an 80.1% investment in Pioneer Holding Corp. ("Pioneer Holding"). The purchase of Pioneer Holding stock occurred on December 31, 2012. Pioneer Holding owns Printronix, Inc. ("Printronix"), a worldwide leader in multi-technology supply-chain printing solutions for the industrial marketplace. As a holding company, Pioneer Holding has no operating assets or liabilities, except for its equity investment in Printronix and its commitment as the guarantor for certain Printronix debt. As the operating company, Printronix holds all operating assets and liabilities.

Printronix, Inc.

Printronix is a worldwide leader in multi-technology supply-chain printing solutions for the industrial marketplace. The products are used in industrial settings such as manufacturing plants and distribution centers. Printronix has manufacturing and configuration sales located in the United States, Singapore, Holland and Mexico, along with sales and support locations around the world, to support its global network of users, channel partners and strategic alliances.

New England Crab Company, Inc.

NECC, a wholly owned subsidiary of Evercel, sells processed crab products throughout the United States and overseas from its facility in Boston, Massachusetts. On February 26, 2014, Evercel sold substantially all assets of NECC (see Note 11: *Deconsolidation*). In fiscal year 2014, the Company elected early adoption of the Accounting Standards Update ("ASU") 2014-08, *Presentation of Financial Statements (Topic 205) Reporting Discontinued Operations*.

Sontek Medical, Inc.

SMI, a wholly owned subsidiary of Evercel, develops, manufactures and markets respiratory and related health products. SMI sells its products worldwide from its office in Hingham, Massachusetts. On March 31, 2013, Evercel sold the assets of SMI (see Note 11: *Deconsolidation*). In fiscal year 2014, the Company elected early adoption of ASU 2014-08.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MMXIV LLC
On August 13, 2014, Evercel purchased all 800 units of Class A Units from MMXIV at its cost basis of $4.447 million. The Class A Units have a liquidation preference over the 200 units of Class B Units. The Class B Units, which Evercel did not purchase, share in the proceeds in excess of the cost basis. MMXIV (19.9%) and Evercel Pioneer Holding Corp. (80.1%) combined own 100% of Pioneer Holding Corp., which owns 100% of Printronix, Inc.

Principles of Consolidation
For the fiscal years ended March 27, 2015 and March 28, 2014, the consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation. The Company uses a 52- or 53-week fiscal year ending on the last Friday of March. For the fiscal years presented, the year-end dates were March 27, 2015 and March 28, 2014. Both fiscal years 2015 and 2014 were 52-week fiscal periods.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates and assumptions made by management include, but are not limited to, excess and obsolete reserve for inventories, bad debt allowance, product warranties, long-lived assets, contingent consideration and sales returns reserves. Actual results could differ materially from those estimates.

Cash and Cash Equivalents
The Company considers all highly liquid temporary cash investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Restricted Cash
During the fiscal years 2014, 2015 and through January 2016, Printronix is required to maintain cash at specified levels in accordance with its credit facility agreement to collateralize an outstanding letter of credit. The balance of both the restricted cash and the letter of credit was $0.156 million as of March 27, 2015 and March 28, 2014.

Accounts Receivable
Accounts receivable are recorded at the invoiced amount and do not bear interest. Printronix performs credit evaluations on customers and adjusts credit limits based upon payment history and the customer's current creditworthiness. The allowance for doubtful accounts is determined by evaluating individual customer receivables, based on contractual terms, reviewing the financial condition of the customer, and historical experience. Receivable losses are charged against the allowance when management believes the account is uncollectible. Subsequent recoveries, if any, are credited to the allowance. The reserves for returns and sales allowances are determined by an analysis of the historical rate of returns and sales allowances.

NECC extends credit to its customers in the ordinary course of business. After reviewing aged outstanding balances and giving consideration for NECC's overall collection history, an allowance for doubtful accounts is established. NECC's accounts receivable balance of $0.319 million is fully reserved as of March 27, 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories, which include material, labor and overhead costs, are valued at the lower of cost or market value. Cost is determined on the first-in, first-out (FIFO) method for Printronix. The Company evaluates and records a provision to reduce the carrying value of inventory for estimated excess and obsolete items based upon forecasted demand and market conditions.

Property and Equipment
Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Improvements are amortized over the remaining life of the lease. Maintenance and repairs are charged to expense as incurred. Upon disposition, the applicable costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income from operations. Depreciation and amortization expense was $3.2 million and $3.1 million in fiscal years 2015 and 2014, respectively.

	Estimated Useful Lives / Lease Terms
Machinery and equipment	2 to 7 years
Furniture and fixtures	3 to 7 years
Building and improvements	8 to 39.5 years
Leasehold improvements	Lesser of useful life or term of lease

Deferred Financing Charges
Printronix capitalizes debt issuance costs and amortizes these costs over the term of the debt instruments. In fiscal year 2014, $0.052 million of additional debt issuance costs were capitalized related to the December 2012 debt, the refinance of that debt, and the foreign credit facility. Printronix amortized $0.264 million and $0.483 million of debt issuance costs in fiscal years 2015 and 2014, respectively.

The debt issuance cost balance as of March 27, 2015 and March 28, 2014 is recorded as follows on the consolidated balance sheets:

(in thousands)	**March 27, 2015**	**March 28, 2014**
Other assets	$ 417	$ 580
Current portion long-term debt	85	100
Long-term senior term debt	145	231
	$ 647	$ 911

Goodwill and Other Intangible Assets
Goodwill has an indefinite useful life and is not amortized. Printronix evaluates for impairment of goodwill and indefinite-lived intangible assets on an annual basis or whenever events or changes in circumstances indicate that the assets might be impaired. No impairment existed as of fiscal years ended March 27, 2015 and March 28, 2014, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets consist of trade names and trademarks, patents, and customer and distributor relationships. These definite-lived intangible assets are recorded at fair value and are stated net of accumulated amortization. Printronix currently amortizes the definite-lived intangible assets on a straight-line basis over their estimated useful lives.

During fiscal years 2015 and 2014, definite-lived intangible assets were amortized over periods ranging from seven to ten years and $3.06 million of amortization expense was recognized in both fiscal years 2015 and 2014.

Intangible assets at the end of each period consisted of:

(in thousands)	Weighted-Average Amortization Period	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
March 27, 2015				
Amortized intangible assets:				
Trade names and trademarks	10 years	$ 4,581	$ (1,030)	$ 3,551
Patents	7-10 years	9,017	(2,172)	6,845
Customer and distributor relationships	10 years	16,397	(3,690)	12,707
		$ 29,995	$ (6,892)	$ 23,103
March 28, 2014				
Amortized intangible assets:				
Trade names and trademarks	10 years	$ 4,581	$ (573)	$ 4,008
Patents	7-10 years	9,017	(1,206)	7,811
Customer and distributor relationships	10 years	16,397	(2,050)	14,347
		$ 29,995	$ (3,829)	$ 26,166

Future amortization of intangible assets is as follows:

(in thousands)	
2016	$ 3,063
2017	3,063
2018	3,063
2019	3,063
2020	3,010
Thereafter	7,841
	$ 23,103

Fair Value Measurements

Fair value is defined under GAAP as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company is required to maximize the use of observable inputs, minimize the use of unobservable inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. The hierarchy of valuation techniques is based on whether the inputs to fair value measurement are considered to be observable or unobservable in a marketplace.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The hierarchy requires the use of observable market data when available.

These inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the assets.

Revenue Recognition
Revenue for Printronix and NECC is recognized when it is realized or realizable and earned. The Company considers revenue to be realized or realizable and earned generally at the time of shipment and passage of title, when persuasive evidence of a sales arrangement exists in the form of a contract or purchase order, the product has been shipped, the sales price is fixed or determinable, and collection is reasonably assured. The Company has no further obligations after shipment of the product other than the warranty obligations.

Printronix sales are based upon written contractual agreements with resellers that include established pricing and payment terms. Printronix sells printers that contain embedded software, which are considered to be incidental to the sale of the printer, and no revenue is attributed to the software. Printronix also sells standard "pre-packed" software to support bar code label printing applications and other software options. This software does not require customization, nor does Printronix have any post-sale obligations. Revenue is recognized as this standard "pre-packed" software is shipped.

Revenue arrangements with multiple deliverables, such as the delivery of multiple products or performance of multiple services, are identified into separate units of accounting based on their fair value and are recognized as each unit of accounting is earned as determined by the appropriate authoritative guidance.

Printronix offers printer maintenance services through service agreements that customers may purchase separately from the printer. These agreements commence upon expiration of the standard warranty period, which is generally a one-year period. Printronix provides the point-of-customer-contact and initial diagnostic services, and sells the parts used for printer repairs. Printronix contracts third parties to perform the on-site repair services. The maintenance service agreements are separately priced at fair value. Accordingly, for those transactions in which maintenance service agreements are purchased concurrently with the purchase of printers, the revenue related to maintenance service agreements is deferred based on its fair value. Revenue from maintenance service contracts is recognized on a straight-line basis over the period of each individual contract, which approximates the manner in which costs are incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Printronix reduces revenue at the time of sale for estimated customer returns, price protection, rebates and other sales incentives that occur under established sales programs. Judgment is required to record these estimated revenue reductions. Printronix evaluates the adequacy of the recorded allowance for sales returns and records a provision as a revenue reduction for the estimated amount of future returns, based upon historical experience, significant authorized pending returns and any other known factors.

Printronix presents revenue, net of sales taxes. Shipping costs charged to the customers are recorded in revenue. Shipping costs incurred by Printronix are recorded in cost of sales. Sales taxes collected from customers are remitted to the appropriate governmental tax authority on behalf of the customers.

Warranty Costs
Printronix offers product warranties with varying terms depending on the product, region and customer contracts. Warranty periods range from three months up to five years. The provision for warranty expense was determined by applying the historical claims experience and estimated repair costs to the outstanding units under warranty.

The following is a summary of the accrued warranty obligation for the fiscal years ended March 27, 2015 and March 28, 2014:

(in thousands)		**March 27, 2015**		**March 28, 2014**
Beginning balance, warranty reserve	$	463	$	694
Add warranty expense		191		246
Deduct warranty claims settled		(338)		(477)
Ending balance, warranty reserve	$	316	$	463

Engineering and Development
Engineering and development costs are expensed as incurred and consist of labor, supplies, consulting and other costs related to developing and improving the Company's products. Total engineering and development costs in Operating Expenses of the Consolidated Statements of Operations were $7.109 million and $7.057 million in fiscal years 2015 and 2014, respectively.

Advertising Costs
The Company expenses advertising costs, including promotional literature, brochures and trade shows, as incurred. Advertising expense was $0.5 million and $0.3 million in fiscal years 2015 and 2014, respectively.

Shipping and Handling
The policy for NECC and Printronix is to classify shipping and handling costs billed to customers as revenues and the related expense as a component of cost of revenues. Shipping and handling costs include charges associated with the delivery of goods from the operating facilities to each customer's designated location.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restructuring Charges
Restructuring charges are mainly comprised of termination benefits associated with Printronix's formal strategic restructuring plans to improve operational efficiency. The plans are generally expected to be completed within one year. Printronix recognizes the liability for post-employment or termination benefits when payment is probable and estimable based on Printronix's predefined post-employment benefits plan or local statutory regulations in foreign jurisdictions. One-time termination benefits that are outside of Printronix's predefined severance plans or local statutory regulations are expensed at the time when Printronix communicates the one-time termination benefits to the employee. However, if the employee is required to provide future service for the one-time termination benefits, the costs are expensed ratably over the future service period. Any exit or disposal costs other than termination benefits are recognized as incurred.

Printronix's restructuring charges and restructuring liabilities are summarized as follows:

(in thousands)

	Workforce Reduction
Restructuring liabilities as of March 28, 2014	$ 317
Add: restructuring charges	492
Deduct: cash payments	(559)
Restructuring liabilities as of March 27, 2015	$ 250

Foreign Currency Gains and Losses
The United States dollar is the functional currency for all of the foreign subsidiaries. Transactions that are recorded in currencies other than the United States dollar may result in transaction gains or losses at the end of the period and when the related receivable or payable is paid. For these subsidiaries, the assets and liabilities have been remeasured at the end of the period exchange rates, except inventories and property, plant and equipment, which have been remeasured at historical rates. The statement of operations has been remeasured at average rates of exchange for the period, except for cost of sales and depreciation, which have been remeasured at historical rates.

Basic and Diluted Net Income Per Share
The basic net income per common share is computed by dividing the net income by the weighted-average number of common shares outstanding. Diluted net income per common share is computed by dividing the net income by the weighted-average number of common shares outstanding plus potential dilutive securities, which include stock options not yet exercised. In fiscal years 2015 and 2014, there were 375,000 options outstanding that were not included in the denominator used in the diluted net income per share calculation because to do so would be antidilutive.

Contingencies
The Company accounts for contingencies in accordance with accounting guidance. The Company evaluates the degree of probability of an unfavorable outcome and the ability to reasonably estimate the loss related to legal claims, environmental issues, guarantees, including indirect guarantees of the indebtedness of others, and other known issues, and records a charge to earnings if appropriate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes on Income

The Company files a federal consolidated tax return and is subject to multiple state tax jurisdictions. The Company's provision for income taxes is based upon pre-tax financial accounting income or loss. Income taxes are accounted for in accordance with the liability method, under which deferred tax assets or liabilities are computed based on temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. These differences are classified as current or noncurrent based upon the classification of the related asset or liability. Deferred income tax provisions or benefits are based on the change in the deferred tax assets and liabilities from period to period. If needed, a valuation allowance is recorded for deferred taxes where it appears more likely than not that the Company will not be able to recover the deferred tax asset.

The Company is required to recognize the financial statement impact of a tax position when it is "more likely than not" that the position will not be sustained upon examination. The amount of the benefit that may be recognized is the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The Company accrues interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense.

Forward Contracts

Printronix enters into foreign exchange forward contracts to reduce the short-term effects of foreign currency fluctuations on certain foreign currency receivables or payables. These forward contracts generally mature within one year. Gains and losses in fair value on forward contracts that offset losses or gains on foreign currency receivables or payables are included in foreign currency (gains) losses, net. The balance of the foreign currency receivable was $0.087 million and $0.023 million at March 27, 2015 and March 28, 2014, respectively, and is classified as a Level 2 investment in the fair value hierarchy.

Interest Rate Swap

Printronix entered into a five-year interest rate swap agreement ("Swap Agreement") with JP Morgan, effective November 30, 2013, with an original notional principal amount of $37.5 million to minimize interest rate change impacts on a portion of its floating rate long-term debt. At March 27, 2015, notional principal amount is $26.9 million. Under the Swap Agreement, Printronix pays interest at a fixed rate of 0.805 percent and receives interest at a variable rate equal to the one-month LIBOR (0.1780 percent at March 27, 2015). Printronix has elected to not use hedge accounting, but recognizes a liability and corresponding expense equal to the fair value of the hedge instrument.

The balance of the interest rate swap liability was $0.009 million and $0.005 million at March 27, 2015 and March 28, 2014, respectively, and is classified as a Level 2 investment in the fair value hierarchy.

Concentration of Credit Risk

No single customer accounted for more than 10% of consolidated revenue for fiscal years 2015 or 2014.

No single customer represented more than 10% of total consolidated accounts receivable as of March 27, 2015 or March 28, 2014. Exposure to credit risk is limited by the large number of customers comprising the remainder of the Company's customer base and by ongoing customer credit evaluations performed by the Company.

One vendor accounted for more than 5% of consolidated purchases for fiscal years 2015 and 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Effects of Recent Accounting Pronouncements
In 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*. ASU 2015-11 pertains to inventory that is measured using first-in, first-out (FIFO) or average cost method. Currently, Topic 330, Inventory, requires inventory to be measured at the lower of cost or market. However, market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The update recommends that an entity use the lower of cost and net realizable value to measure inventory. This is to simplify the outcome of the subsequent measurement of inventory from the current requirement. The intent is to clarify and closely align GAAP inventory measurement with International Financial Reporting Standards (IFRS). For all private companies, ASU 2015-11 is effective in annual reporting periods beginning after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is still evaluating the impact of ASU 2015-11 to its statement of financial position.

In 2015, FASB issued ASU 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost.* ASU 2015-03 provides clarity on the presentation of debt issuance costs. This update requires debts costs from a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, which is consistent with debt discounts. For all private companies, ASU 2015-03 is effective in annual reporting periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. The Company is still evaluating the impact of ASU 2015-03 to its statement of financial position.

In 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance, in current U.S. GAAP. As a result of these wholesale changes, when the new guidance is implemented, there should be improved comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. For all private companies, ASU 2014-09 is effective in annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Company is still evaluating the impact of ASU 2014-09 to its statement of financial position.

In July 2013, the FASB issued ASU 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires that unrecognized tax benefits be presented as a reduction to deferred tax assets for all same jurisdiction loss or other tax carryforwards that are available and would be used by the entity to settle additional income taxes resulting from disallowance of the uncertain tax position. The amendments in ASU 2013-11 are effective for fiscal years beginning after December 15, 2014. Early adoption is permitted. Although the Company is still evaluating the impact of ASU 2013-11, it does not expect this guidance to have a significant impact to its statement of financial position at this time.

The FASB issued other guidance during 2014 and 2015, not discussed herein, that related to technical changes of existing guidance or new guidance that is not applicable to the Company's current financial statements and disclosures.

NOTE 3 – INVENTORIES

Inventories consisted of the following:

(in thousands)	March 27, 2015	March 28, 2014
Raw materials	$ 6,985	$ 7,077
Subassemblies	1,923	1,917
Work in process	2	6
Finished goods	3,760	3,812
Total inventories before allowance	12,670	12,812
Less: Allowance	(2,456)	(2,525)
Total inventories after allowance	$ 10,214	$ 10,287

NOTE 4 – BANK BORROWINGS AND DEBT ARRANGEMENTS

Outstanding debt obligations consisted of the following:

(in thousands)	March 27, 2015	March 28, 2014
LIBOR plus 3.50% term loan, due September 13, 2018	$ 33,389	$ 40,857
LIBOR plus 3.50% revolver loan, due September 13, 2018	-	6,000
3-month SIBOR plus 1.38%, due July 23, 2023	5,570	6,662
Total Debt	38,959	53,519
Less: Unamortized debt discount	(230)	(331)
Total Debt, net	38,729	53,188
Less: Current portion, (including current portion of amortized debt discount of $85 and $100 as of March 27, 2015 and March 28, 2014, respectively)	(6,822)	(6,848)
Long-term debt, net of current portion, (including long-term portion of unamortized debt discount of $145 and $231 as of March 27, 2015 and March 28, 2014, respectively)	$ 31,907	$ 46,340

Revolving Commitment Facility and Senior Secured Term Loan

On December 31, 2012, Printronix entered into a senior secured credit agreement, which provided for a $25.0 million term loan (“first lien term loan”) and a $5.0 million revolving commitment facility for general working capital and other general corporate needs. The credit facilities were guaranteed by Pioneer Holding and collateralized by substantially all assets of Printronix. Borrowings under the agreement bore interest at LIBOR plus applicable margin of 3% - 4%, depending on the consolidated leverage ratio of Printronix. On September 13, 2013, in conjunction with the Refinancing, Printronix repaid the outstanding balance and accrued interest related to the first lien term loan.

NOTE 4 – BANK BORROWINGS AND DEBT ARRANGEMENTS (continued)

Printronix has a senior secured credit agreement, which provides for a $44.0 million term loan and a $10.0 million revolving commitment facility. The credit facilities are guaranteed by Pioneer Holding and collateralized by substantially all assets of Printronix. Borrowings under the agreement shall bear interest at LIBOR plus applicable margin of 2.25% to 3.5%, depending on the consolidated leverage ratio of Printronix. The term loan has a five-year term, and is amortized like a seven-year loan, with a balloon payment of $12.571 million at maturity. The interest rate is reset for one-, two-, three-, six- or 12-month periods, at the borrower's discretion. The applicable margin is reset on a quarterly basis based on the effective consolidated leverage ratio at the end of each quarter. The interest rate on the credit facility is 3.67% as of March 27, 2015. The agreement contains certain financial covenants, which were all complied with as of March 27, 2015. Payment of cash dividends is restricted except in certain permitted situations.

As of March 28, 2014, $6.0 million of the $10.0 million available revolving commitment facility had been borrowed for general working capital and other general corporate needs. As of March 27, 2015, the $6.0 million revolving line of credit borrowed was paid off.

Senior Subordinated Secured Term Loan
In connection with a prior year acquisition, Printronix entered into a senior second lien secured credit agreement, which provided for a $35.5 million term loan. The credit facility was guaranteed by Pioneer Holding and collateralized by substantially all assets of Printronix. Initial consideration was based on an estimate of working capital and the cash balance at the closing date. Per the acquisition agreement, sixty days following closing, actual working capital and closing cash balance was recalculated. Such amounts were recalculated greater than the collar amount per the agreement and thus $1.486 million was added to the principal balance of the loan. The loan had an interest rate of 17% per annum, with a cash rate equal to 9% per annum, and with 8% per annum to be capitalized every quarter to the loan principal, until the loan was fully repaid in fiscal year 2014. In fiscal 2014 interest capitalized in the long-term debt balance was $1.181 million.

Printronix adopted the fair value option with respect to the Senior Subordinated Secured Term Loan. On September 13, 2013, in conjunction with the Refinancing, Printronix repaid the outstanding balance and accrued interest related to the Senior Subordinated Senior Secured Term Loan and therefore the loan was adjusted to its settlement value immediately prior to the pay off and accordingly a gain of $2.908 million was recognized in fiscal year 2014.

Foreign Credit Facilities
In July 2013, Printronix's subsidiary in Singapore entered into a 10-year mortgage agreement to borrow SDG 9 million (equivalent to USD $7.4 million). The mortgage facilities are collateralized by the subsidiary's real estate property. Borrowings under the agreement bear interest at the three-month Singapore Interbank Offered Rate ("SIBOR") plus 1.38% to 3%.

NOTE 4 – BANK BORROWINGS AND DEBT ARRANGEMENTS (continued)

Future Debt Payment Obligations:

Fiscal Years Ending	Principal Due	Unamortized Debt Discount	Total
(in thousands)			
2016	$ 6,907	$ (85)	$ 6,822
2017	6,919	(68)	6,851
2018	6,932	(50)	6,882
2019	15,192	(27)	15,165
2020	673	-	673
Thereafter	2,336	-	2,336
	$ 38,959	$ (230)	$ 38,729

NOTE 5 – STOCKHOLDERS' EQUITY

Common Stock
Stockholders shall have one vote for each share of common stock owned by them of record according to the books of the Company.

Series A Preferred Stock
There are 400,000 shares of Series A preferred stock authorized, with 18,436 and 17,070 shares issued and outstanding as of March 27, 2015 and March 28, 2014, respectively.

8% dividends declared and paid to Series A stockholders, in the form of 1,366 additional shares of Series A stock, for the year ended March 27, 2015 totaled $34,140.

8% dividends declared and paid to Series A stockholders, in the form of 1,264 additional shares of Series A stock, for the year ended March 28, 2014 totaled $31,611.

Series B Preferred Stock
There are 600,000 shares of Series B preferred stock authorized, with 18,177 and 16,831 shares issued and outstanding as of March 27, 2015 and March 28, 2014, respectively.

8% dividends declared and paid to Series B stockholders, in the form of 1,346 additional shares of Series B stock, for the period ended March 27, 2015 totaled $33,661.

8% dividends declared and paid to Series B stockholders, in the form of 1,274 additional shares of Series B stock, for the period ended March 28, 2014 totaled $31,168.

NOTE 5 – STOCKHOLDERS' EQUITY (continued)

Both Series A and Series B preferred stock include the following general rights, privileges, restrictions and conditions:

Conversion feature – Each share of preferred stock has a conversion feature at $13.75 per share, which is subject to certain adjustments.

Cumulative dividends are calculated at a rate of 8% of the liquidation value, payable quarterly in cash or shares of preferred stock, at the option of the Company.

Redemption – The Company has the right to redeem the stock for the liquidation amount which includes any accrued and unpaid dividends. Preferred shareholders may only redeem their shares if the Company breaches or fails to comply with its obligations under the Certificate of Designations and such breach has a material adverse effect on the business or prospects of the Company.

Liquidation Preference – In the event of liquidation, the holders of each share of preferred stock shall be entitled to receive, prior to and in preference to any distributions of any assets to holders of common stock, an amount equal to the liquidation amount applicable to each share ($25) plus any accrued but unpaid dividends.

Voting Rights – Holders of preferred stock are entitled to the number of votes equal to the number of shares of common stock into which such holder's shares would then be convertible.

The 8% cumulative dividends on the Series A and Series B preferred stock, which have been paid to shareholders in the form of a stock dividend (additional shares of preferred stock), as of March 27, 2015 and March 28, 2014 total $0.493 million and $0.425 million, respectively.

Controlling Interest

The following table summarizes the effects of changes in the Company's ownership interest in Printronix, Inc. and its equity:

	March 27, 2015	**March 28, 2014**
Net income attributable to Evercel, Inc.	$ 7,565	$ 16,351
Transfers (to) from the noncontrolling interest:		
Decrease in paid-in capital for purchase of additional ownership interest in Printronix, Inc. related to the acquisition of MMXIV LLC	(597)	-
Net transfers (to) from noncontolling interest	(597)	-
Change from net income attributable to Evercel, Inc. and transfers (to) from the noncontrolling interest	$ 6,968	$ 16,351

NOTE 6 – EQUITY INCENTIVE PLAN

The Company maintains a stock option plan, which allows for the granting of stock options at the discretion of the Board of Directors. The Company has reserved a maximum of 1,300,000 shares for stock options under this plan. These stock options have restrictions as to their transferability and expire 10 years from the date of grant.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model. The fair value is amortized as compensation cost on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. The Company uses historical data on employee turnover and terminations to estimate the percentage of options that will ultimately be exercised. Expected volatility is based on average volatility for a representative sample of publicly traded companies in the same industry sector. The expected term represents the period of time that the options are expected to be outstanding. The risk-free interest rate is estimated using the rate of return on the U.S. Treasury Notes with a life that approximates the expected life of the option. Stock options that have been granted are exercisable commencing one year after grant at the rate of 20% of such shares in each succeeding year. As of March 27, 2015, 615,000 of 775,000 options granted were fully vested. As of March 28, 2014, 535,000 of 775,000 options granted were fully vested. In fiscal year 2014, 383,160 of these common stock options were exercised and 132,280 were forfeited. No Series A preferred stock options were exercised or forfeited in fiscal year 2015. No Series B preferred stock options were exercised or forfeited in fiscal year 2015 or 2014.

In connection with the merger transaction in 2006, two former SMI stockholders were allowed to exchange their SMI options for options to purchase Evercel common stock. The conversion was at a rate similar to the conversion rate of SMI stock for Evercel stock. As a result, each of the two stockholders has the option to purchase 257,720 shares of common stock and 150,000 shares of Series B preferred stock. These options are fully vested and expire 10 years from the date of issuance. The exercise price is $0.29 per common share and $0.51 per preferred share.

NOTE 6 – EQUITY INCENTIVE PLAN (continued)

The following table summarizes the common stock option plan activity at the end of each fiscal period:

(in thousands)

	Number of Options	Range of Exercise Prices	Weighted-Average Exercise Price
Outstanding at March 29, 2013	1,290,440	$0.29 to $1.40	$0.75
Issued	-		
Exercise	(383,160)		
Expired	-		
Forfeited	(132,280)		
Outstanding at March 28, 2014	775,000	$0.72 to $1.40	$1.05
Issued	-		
Exercise	-		
Expired	-		
Forfeited	-		
Outstanding at March 27, 2015	775,000	$0.72 to $1.40	$1.05

Options outstanding and exercisable are as follows:

	Options Outstanding				Options Exercisable	
	Range of Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
2015	$0.72 to $1.40	775,000	4.3	$1.05	615,000	$1.13
2014	$0.72 to $1.40	775,000	5.3	$1.05	535,000	$1.20

Compensation expense related to the options outstanding recognized in the accompanying statements of operations totaled $52,000 for the fiscal years ended March 27, 2015 and March 28, 2014, respectively. There is $93,600 of unrecognized compensation expense related to the outstanding options as of March 27, 2015 to be recognized over the weighted-average period of two years.

NOTE 7 – EMPLOYEE BENEFIT PLAN

Savings and Investment Plan

Printronix has a 401(k) Savings and Investment Plan (the "401(k) Plan") for all eligible employees, which is designed to be tax deferred in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Printronix matches employee contributions dollar for dollar up to the first 1% of contributions, and then an additional $0.50 on the next 1% of employee contributions. Printronix's contributions become fully vested after four full years of employment. Employee contributions are always 100% vested. Printronix's total contribution to the 401(k) Plan was $0.15 million and $0.21 million in fiscal year 2015 and 2014, respectively.

NOTE 8 – INCOME TAXES

Provision for Income Taxes

The provision (benefit) for income taxes consists of the following:

(in thousands)	**March 27, 2015**	**March 28, 2014**
Current provision (benefit):		
Federal	$ -	$ (113)
State	152	71
Foreign	1,649	536
Deferred provision (benefit):		
U.S.	1,617	(9,611)
Foreign	(297)	(453)
Income tax provision (benefit)	$ 3,121	$ (9,570)

NOTE 8 – INCOME TAXES (continued)

Deferred Income Tax Assets and Liabilities

The deferred income tax assets and liabilities as of March 27, 2015 and March 28, 2014 consisted of the following:

(in thousands)	March 27, 2015	March 28, 2014
U.S. Deferred Income Tax Assets and Liabilities		
Current		
Inventory costs capitalized for tax, expensed for financial reporting purposes	$ 828	$ 590
Accruals	950	1,070
Valuation allowance	(46)	(176)
Deferred income tax assets - current	$ 1,732	$ 1,484
Noncurrent		
Net operating loss carryforwards	$ 3,217	$ 6,624
Credit carryforwards	9,272	8,054
Liabilities/reserves	168	415
Others	95	5
Property, plant, and equipment	255	-
Intangibles	(4,278)	(4,837)
Valuation allowance	(2,477)	(2,143)
Deferred income tax assets - noncurrent	$ 6,252	$ 8,118
Foreign Deferred Income Tax Assets and Liabilities		
Current		
Accruals	$ 134	$ 12
Deferred income tax assets - current	$ 134	$ 12
Noncurrent		
Property, plant, and equipment	$ (978)	$ (1,154)
Inventory	-	-
Deferred income tax liabilities - noncurrent	$ (978)	$ (1,154)
Total Current Deferred Tax Assets	$ 1,866	$ 1,496
Total Non-Current Deferred Tax Assets	$ 5,274	$ 6,964

NOTE 8 – INCOME TAXES (continued)

Deferred income taxes are not provided for the undistributed earnings of the foreign subsidiaries, which totaled approximately $21.8 million as of March 27, 2015, as the Company intends to reinvest these earnings indefinitely outside of the United States. Should the Company be required to repatriate these funds, the deferred tax liability would be approximately $7.4 million before the consideration of foreign tax credits.

The Company has determined that, based on all available evidence, it appears that it is more likely than not that a portion of the state deferred tax assets will not be realized. As such, a partial valuation allowance is recorded for the U.S. state deferred tax assets. In fiscal year 2015, the total change in the valuation allowance was an increase of $0.204 million.

The following table reflects the changes in the valuation allowance:

(in thousands)	March 27, 2015	March 28, 2014
Beginning balance, valuation allowance	$ 2,319	$ 15,430
Provision for valuation allowance	204	-
Utilization of valuation allowance	-	(13,111)
Ending balance, valuation allowance	$ 2,523	$ 2,319

The federal and state net operating losses and credit carryforwards are as follows:

(in thousands)	March 27, 2015	Fiscal Years
Net operating losses:		
Federal	$ 9,051	2021 to 2030
State	1,848	2022 to 2035
	$ 10,899	
Credit carryforwards:		
Foreign tax credit	$ 1,595	2025
Federal research and development credit	4,115	2018 to 2034
California research and development credit	7,268	Indefinite
	$ 12,978	

Net operating losses and credits relating to Printronix are subject to limitations under Sections 382 and 383 of the Internal Revenue Code. The Company does not expect these limitations to result in a reduction in the total amount of operating losses and credits ultimately realized.

NOTE 8 – INCOME TAXES (continued)

For positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date is not significant.

As of March 27, 2015 and March 28, 2014, the long-term deferred tax assets were reduced by unrecognized tax benefits of $3.5 million and $3.8 million, respectively.

For the period ended March 27, 2015, the worldwide tax expense of $3.1 million differs from the U.S. statutory rate principally due to changes in valuation allowance, research credits, various permanent book and tax differences, and differences in foreign tax rates.

The fiscal tax years that remain subject to examination are all fiscal years ended after December 31, 2012 for federal and March 2010 for most states. In addition, all of the net operating losses ("NOL") and research and development credit carryforwards that may be used in future years are still subject to adjustment.

NOTE 9 – RELATED-PARTY TRANSACTIONS

On June 27, 2013, Evercel sold to Corona Park Investment Partners, LLC ("CPIP") 5,639,545 shares of common stock in exchange for a $4.230 million promissory note. The interest rate on the note receivable is 0.95% compounded annually. Interest payments on the note are due annually and may be paid in cash or by issuing additional notes (PIK notes). The promissory note and PIK notes are collateralized by the stock in a separate pledge agreement dated June 27, 2013 between Evercel and CPIP. As of March 27, 2015 and March 28, 2014, $4.270 million and $4.230 million, respectively, of the note receivable was outstanding and reclassified against additional paid-in capital, which is included in stockholders' equity on the accompanying consolidated balance sheets. Additionally, there was $0.040 million and $0.030 million of interest income in 2015 and 2014, respectively, which is included in additional paid-in capital of stockholders' equity on the accompanying consolidated balance sheets. The net change when considering PIK interest to additional paid-in capital for fiscal 2015 and 2014 was $0 and $0.030 million, respectively.

Evercel has an investment in LocalVox Media, Inc. representing 403,245 shares of Series A preferred stock, which was recorded at zero as of March 28, 2014. On September 29, 2014, LocalVox Media, Inc. completed a merger in which Series A preferred stock was converted into the right to receive $1.328 per share. Evercel received $0.317 million of the total consideration of $0.536 million on September 29, 2014. The remaining $0.219 million is deferred and payable on September 30, 2015 and accrues interest at 6%. At March 27, 2015, $0.006 million in interest was accrued.

Printronix had $0.03 million and $0.15 million due to CPIP for reimbursable expenses as of March 27, 2015 and March 28, 2014, respectively, which is included in accounts payable on the accompanying consolidated balance sheets.

In fiscal year 2014, NECC entered into a financing agreement totaling $100,000 with a board member. The note accrues interest at 5% annually and was payable upon demand. The notes payable balance as of March 28, 2014 is $100,000 and is included in other current liabilities on the accompanying consolidated balance sheets. The note payable plus accrued interest was paid in full in May 2014.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Leases

In February 2005, NECC purchased 60 shares of Class B capital stock of New Boston Food Development Corp. (“New Boston”), a cooperative corporation, for $0.800 million which represents the entire interest in the property it leases. The 60 shares of Class B capital stock were not sold in association with the sale of NECC on February 26, 2014. Under the share agreement, NECC is required to pay monthly payments equal to the expenses incurred by the lessor for maintaining the property. NECC paid $0.012 million and $0.162 million for the years ended March 27, 2015 and March 28, 2014, respectively. New Boston is a cooperative corporation that developed certain commercial real estate operated as commercial food markets. The purchase of the capital stock provides NECC the right to lease certain space through a proprietary lease agreement. The shares have been pledged as security to New Boston to guarantee NECC’s performance under the lease and are classified within Level 3 of the valuation hierarchy. The shares are classified as held for sale as of March 28, 2014. On May 9, 2014, NECC sold its 60 shares of Class B stock in New Boston and all of its rights, title and interest in the building’s lease for a purchase price of $1.2 million.

With the exception of Singapore, Printronix conducts its foreign operations and United States operations using leased facilities under noncancelable operating leases that expire at various dates through fiscal year 2020. Printronix has a land lease in Singapore that expires in fiscal year 2027 and has a renewal option for an additional 30 years. Annual rental expense was $2.814 million and $2.923 million for the years ended March 27, 2015 and March 28, 2014, respectively.

Future minimum lease payments under existing noncancellable operating leases are as follows:

(in thousands)

2016	$	2,452
2017		2,024
2018		971
2019		314
2020		157
Thereafter		1,193
	$	7,111

Guarantees

Printronix posted collateral in the form of a surety bond or other similar instruments, which are issued by independent insurance carriers (the “Surety”), to cover the risk of loss related to certain customs and employment activities. If any of the entities that hold such bonds should require payment from the Surety, Printronix would be obligated to indemnify and reimburse the Surety for all costs incurred. As of March 27, 2015 and March 28, 2014, Printronix had $0.730 million and $0.875 million of these bonds outstanding, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Environmental Assessment

In January 1994 and March 1996, Printronix was notified by the California Regional Water Quality Control Board — Santa Ana Region (the "Board") that the surface conditions for one of the former production plants and ground adjacent to property previously occupied by Printronix were thought to be contaminated with various chlorinated volatile organic compounds ("VOCs"). Evidence adduced from site studies undertaken indicates that compounds containing the VOCs were not used by Printronix during its tenancy, but were used by the prior tenant during its long-term occupancy of the site.

In August 2002, Printronix responded to an inquiry from the California Department of Toxic Substance Control (the "Department") regarding the operations at the site of the former production plant. In February 2004, the Department submitted a proposed Corrective Action Consent Agreement to the Company, which would require it to perform an investigation of the site that would be used as a basis to determine what, if any, remediation activities would be required.

During fiscal year 2006, the Department agreed to include the prior tenant of the site in the ongoing inquiry. During fiscal year 2007, Printronix and the prior tenant were jointly issued a draft Enforcement Order with respect to 1700 Barranca Parkway, Irvine, California.

The Enforcement Order was negotiated. By August 7, 2006, a Corrective Action Consent Agreement to conduct a Preliminary Endangerment Assessment ("PEA") had been agreed upon and executed by both Printronix and the prior tenant, and requires that both parties: a) evaluate if interim measures are required and take action if necessary and b) perform an investigation of the site. The testing result from the PEA indicates a continuing presence of the contaminants. The testing for the adjacent property has yet to commence.

In January 2010, a pilot study of the proposed soil remediation method under an approved Revised Interim Measures Work Plan was completed. In February 2011, a Dual Phase Extraction ("DPE") pilot study report was submitted to the Department for review and approval, with the expectation that Printronix would move forward with a full-scale DPE system installation and implementation ("Work Plan") to address soil contamination.

Since February 2011, several revised proposals were submitted to the Department, and comment letters were received. In February 2014, the Department approved the contractor's proposal dated November 19, 2013. As of March 27, 2015, the 2014 approved contractor's work had been substantially completed. Soil, gas and indoor air investigation services at adjacent site are yet to be completed. The results of the soil gas and indoor air investigation will be needed to determine if any further actions are required.

A new proposal was submitted dated October 19, 2012 for a Facility Investigation and Corrective Measure Study ("Corrective Study"), in response to the Department's response letter dated September 6, 2012. The work under this proposal was completed during fiscal 2014. Even though this study is completed, Printronix is obligated to continue to monitor and report periodic findings to the Department.

As of March 27, 2015 and March 28, 2014, Printronix had accrued \$0.1 million and \$0.17 million, respectively, to cover expenses for the proposed Work Plan, Corrective Study and environmental tests. The accrual is included in accrued expenses on the consolidated balance sheets.

NOTE 10 – COMMITMENTS AND CONTINGENCIES (continued)

Litigation

From time to time, the Company is subject to legal and other claims that arise out of the ordinary course of business. There are currently no claims or proceedings that will have a material impact upon the Company's financial position, or results of operations and cash flows.

Contingent Consideration

On December 31, 2012, Evercel and MMXIV LLC acquired all of the outstanding equity shares and options of Pioneer Holding. The aggregate purchase price was $88.011 million. The purchase price included contingent consideration related to an earn-out provision based on a calendar year EBITDA calculation, which was fair valued at $0 and $0.617 million at March 27, 2015 and March 28, 2014, respectively. In fiscal year 2015, Printronix realized a gain on the reversal of the earn-out liability in the amount of $0.617 million.

NOTE 11 – DECONSOLIDATION

On March 31, 2013, Evercel sold substantially all of SMI's assets for $0.490 million. The Company recognized a gain of $0.149 million on the transaction. The Company did not retain any investment and it does not have a continuing involvement in SMI.

On February 26, 2014, Evercel sold substantially all of NECC's assets to an unrelated party for $0.149 million. The Company recognized a loss of $0.091 million on the transaction. The Company does not have continuing operations involvement in NECC. The Company did not sell the inventory and accounts receivable as part of the sales transaction and continued to sell the remaining inventory and collect on its accounts receivable during fiscal year 2015. As of March 27, 2015, NECC's remaining inventory balance of $0.147 million was fully reserved, and accounts receivable balances were collected or written off. As of March 28, 2014, NECC had an inventory balance of $0.616 million and an accounts receivable balance of $0.267 million.

NOTE 12 – SUMMARIZED FINANCIAL INFORMATION

Summarized financial information for the Company and its subsidiaries is as follows :
(in thousands)

For the fiscal year ended March 27, 2015

	Evercel	NECC	SMI	MMXIV	Printronix	Total
Income Statement information:						
Revenue	$ -	$ 743	$ -	$ -	$ 112,661	$ 113,404
Operating income (loss)	(679)	(55)	-	(100)	12,117	11,283
Income (loss) before income taxes	(149)	327	-	(100)	10,583	10,661
Balance Sheet information:						
Total assets	6,429	36	-	-	95,706	102,171
Total liabilities	91	72	-	-	57,900	58,063

For the fiscal year ended March 28, 2014

	Evercel	NECC	SMI	Printronix	Total
Income Statement information:					
Revenue	$ -	$ 6,276	$ -	$ 127,664	$ 133,940
Operating income (loss)	(546)	(1,595)	25	12,019	9,903
Income (loss) before income taxes	(546)	(1,687)	174	10,133	8,074
Balance Sheet information:					
Total assets	7,593	2,030	1	107,551	117,175
Total liabilities	167	350	-	75,664	76,181

NOTE 13 – SUBSEQUENT EVENTS

On June 9, 2015 the Company executed a purchase agreement to sell the Singapore building for the amount of $9.6 million.

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through September 10, 2015, the date the consolidated financial statements were available to be issued.