HOMASOTE COMPANY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(UNAUDITED)

HOMASOTE COMPANY
STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED				FOR THE YEAR ENDED			
	December 31, 2023		December 31, 2022		December 31, 2023		December 31, 2022	
Net sales	$4,513,633	100.0%	$4,180,255	100.0%	$19,822,502	100.0%	$21,497,961	100.0%
Cost of sales	3,683,209	81.6%	3,495,490	83.6%	15,213,760	76.7%	15,404,857	71.7%
Gross profit	830,424	18.4%	684,765	16.4%	4,608,742	23.3%	6,093,104	28.3%
Selling, general and administrative expenses	1,245,477	27.6%	1,129,535	27.0%	5,049,603	25.5%	4,854,561	22.6%
Operating loss	(415,053)	-9.2%	(444,770)	-10.6%	(440,861)	-2.2%	1,238,543	5.7%
Other income (expense)								
Interest income	16,127		606		58,589		1,249	
Interest expense	(117,000)		(74,944)		(438,542)		(259,984)	
Gain on Sale of Assets	0		18,500		23,242		21,000	
Other income	735		2,676		2,586		5,690	
Other expense-Environmental	0		(209)		(1,039)		(19,396)	
NPBC-other components	(26,497)		68,255		(213,373)		97,208	
	(126,635)	-2.8%	14,884	0.4%	(568,537)	-2.9%	(154,233)	-0.7%
Loss before income taxes	(541,688)	-12.0%	(429,886)	-10.2%	(1,009,398)	-5.1%	1,084,310	5.0%
Income tax expense		0.0%		0.0%		0.0%		0.0%
Net loss	($541,688)	-12.0%	($429,886)	-10.2%	($1,009,398)	-5.1%	$1,084,310	5.0%
Net loss per common share								
Basic	($1.50)		($1.19)		($2.79)		$3.00	
Diluted	($1.50)		($1.19)		($2.79)		$3.00	
Weighted average common shares outstanding								
Basic	361,719		361,719		361,719		361,719	
Diluted	361,719		361,719		361,719		361,719	

HOMASOTE COMPANY
STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
YEAR ENDED DECEMBER 31,

	2023	2022
Net (loss) income	($1,009,398)	$1,084,310
Other comprehensive (loss) income:		
Net actuarial (loss) gain of retirement benefit plans:		
Unrealized gain arising during the period	152,003	165,494
Amortization of actuarial gain	160,160	135,246
Total other comprehensive (loss) income	312,163	300,740
Comprehensive (loss) income	($697,235)	$1,385,050

HOMASOTE COMPANY
BALANCE SHEETS
(UNAUDITED)

ASSETS

	DECEMBER 31, 2023		DECEMBER 31, 2022	
CURRENT ASSETS:				
Cash and cash equivalents	$395,029		$368,401	
Accounts receivable (net of allowance for doubtful accounts of $46,000 in 2023 and 2022)	1,070,541		1,230,466	
Inventories:				
Raw materials	563,736		531,181	
Work in process	75,416		128,869	
Finished goods	1,451,813		1,149,558	
Prepaid expenses and other current assets	190,582		192,448	
Total Current Assets		$3,747,117		$3,600,923
Property, plant and equipment, at cost	58,444,869		56,980,764	
Less accumulated depreciation	49,673,070		48,730,075	
Net property, plant and equipment		8,771,799		8,250,689
Deferred income taxes	20,954		20,954	
		20,954		20,954
Total Assets		$12,539,870		$11,872,566

HOMASOTE COMPANY
BALANCE SHEETS
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	DECEMBER 31, 2023		DECEMBER 31, 2022	
CURRENT LIABILITIES:				
Short-term debt, net of unamortized issuance cost of $18,647 in 2023 and in 2022	$2,488,053		$1,935,054	
Current Portion long-term debt	372,741		295,951	
Ally	44,319		24,274	
Hyundai	12,666		12,516	
Accounts payable	3,044,265		2,071,393	
Accrued expenses	362,111		348,202	
Current portion of obligations under benefit plans	44,000		48,000	
Total Current Liabilities		$6,368,155		$4,735,390
Long-term debt, net of unamortized issuance cost of $82,580 in 2023 and $100,865 in 2022		2,225,019		2,548,903
Ally		103,464		55,434
Hyundai		48,203		60,832
Deferred income taxes		20,954		20,954
Obligations under benefit plans		1,532,433		1,492,916
Other liabilities		512,578		512,578
Total Liabilities		10,810,806		9,427,007
STOCKHOLDERS' EQUITY				
Common stock, par value $.20 per share; Authorized 1,500,000 shares; Issued 876,915 in 2023 and 2022	175,383		175,383	
Additional paid-in capital	971,337		971,337	
Retained earnings	9,840,495		10,849,893	
Accumulated other comprehensive loss	(1,747,322)		(2,040,225)	
		9,239,893		9,956,388
Less cost of common shares in treasury, 515,196 Shares in 2023 and 2022		7,510,829		7,510,829
Total Stockholders' Equity		1,729,064		2,445,559
Total Liabilities and Stockholders' Equity		$ 12,539,870		$ 11,872,566

HOMASOTE COMPANY
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31,
(UNAUDITED)

	2023	2022
Cash flows from operating activities:		
Net (loss) income	($1,009,398)	$1,084,310
Adjustments to reconcile net (loss) income to net cash provided by operating activities :		
Depreciation	1,047,937	923,227
Bad debt expense	-	-
Share based compensation expense	-	-
Gain on sale of assets	(23,242)	(21,000)
Amortization of retirement plan actuarial gain	160,600	135,246
Changes in assets and liabilities :		
Decrease in accounts receivable	159,925	213,985
Increase in inventories	(281,357)	(594,373)
Decrease in prepaid expenses and other current assets	1,866	60,791
Increase (decrease) in accounts payable	972,872	(408,876)
Increase in accrued expenses	13,909	51,284
Increase (decrease) in obligations under benefit plans	167,819	(396,460)
Decrease in other liabilities	-	
Net cash provided by operating activities	1,210,931	1,048,134
Cash flows from investing activities :		
Proceeds from sale of equipment	23,242	21,000
Capital expenditures	(1,569,046)	(1,749,091)
Net cash used in investing activities	(1,545,804)	(1,728,091)
Cash flows from financing activities :		
Net proceeds from issuance of short-term debt	552,999	85,591
Net (repayment of) proceeds from issuance of long-term debt	(209,783)	298,763
Debt issuance costs	18,285	18,285
Net cash provided by financing activities	361,501	402,639
Net increase (decrease) in cash & cash equivalents	26,628	(277,319)
Cash and Cash equivalents at beginning of year	$368,401	645,720
Cash and Cash equivalents at end of year	$395,029	368,401
Supplemental disclosures of cash flow information:		
Cash paid during the year for :		
Interest	$420,257	$2,416,999

HOMASOTE COMPANY
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR YEAR ENDED DECEMBER 31, 2023 AND YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)

	COMMON STOCK		ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	SHARES	PAR VALUE					
Balances at January 1, 2022	361,719	175,383	971,337	9,765,583	(2,340,965)	(7,510,829)	$1,060,509
Net income				1,084,310			1,084,310
Net change in unrecognized retirement benefit plans					300,740		300,740
Other comprehensive income							1,385,050
Balances at December 31, 2022	361,719	$175,383	$971,337	$10,849,893	($2,040,225)	($7,510,829)	$2,445,559
Net loss				(1,009,398)			(1,009,398)
Net change in unrecognized retirement benefit plans					292,903		292,903
Other comprehensive loss							(716,495)
Balances at December 31, 2023	361,719	$175,383	$971,337	$9,840,495	($1,747,322)	($7,510,829)	$1,729,064

HOMASOTE COMPANY
NOTES TO CONDENSED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(unaudited)

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS: Homasote Company is in the business of manufacturing wood fiberboard products used in a variety of building material applications including sound insulation, thermal insulation, floor and roof decking and interior tack panels. The Company also manufactures an industrial packaging product line consisting primarily of glass, paper and metal separators. Sales in 2023 were distributed as follows: Building material wholesalers and contractors, approximately 60%; industrial manufacturers, approximately 40%. Sales in 2022 and 2021 were distributed as follows: Building material wholesalers and contractors, approximately 56%; industrial manufacturers, approximately 44%. The Company's primary basic raw material, post-consumer wastepaper, is generally readily available from various regional suppliers.

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid debt instruments purchased with a maturity of ninety days or less to be cash equivalents.

INVENTORY VALUATION: Inventories are valued at the lower of cost (first-in, first-out) or net realizable value.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed using the straight-line and various accelerated methods at rates adequate to depreciate the cost of applicable assets over their expected useful lives. Maintenance and repairs are charged to operations as incurred. Alterations and major overhauls which extend the lives or increase the capacity of plant assets are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon is removed from the accounts with any gain or loss realized upon sale or disposal charged or credited to operations.

PRODUCT WARRANTIES: Product warranty costs are accrued when the covered products are delivered to the customer. Product warranty expense is recognized based on the terms of the product warranty and the related estimated costs, considering historical claims expense. Accrued warranty costs are reduced as these costs are incurred and as the warranty period expires. The table presents the changes in the Company's accrual for product warranties, which is included in accrued expenses, for the years ended December 31, 2023 and 2022.

	2023	2022
Balance at January 1.......	$ 7,500	$ 5,000
Accruals and adjustments for product warranties issued during the period...	0	2,500
Settlements made during the period...........	0	0
Balance at December 31....	$ 7,500	$ 7,500

REVENUE RECOGNITION: Revenue from product sales is recognized when the related goods are shipped and title and risk of loss pass to the buyer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for those goods. The Company generally has no obligations after the product is shipped except for routine and customary warranties for which the Company accrues a reserve at the time of sale based on historical experience. All revenue of the Company is recognized at a point in time.

The Company considered several factors in determining that control transfers to the customer upon shipment of goods. These factors include that legal title transfers to the customer, the Company has a right to payment, and the customer has assumed the risks and rewards of ownership at the time of shipment. Sales (and similar) taxes that are imposed on our sales and collected from customers are excluded from revenues.

NET EARNINGS PER SHARE: Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 260, *Earnings Per Share,* requires presentation of basic earnings per share and diluted earnings per share. Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the period.

BUSINESS AND CREDIT CONCENTRATIONS: Sales of the Company's products are dependent upon the economic conditions of the housing and manufacturing industries. Changes in these industries may significantly affect management's estimates and the Company's performance.

The Company's customers are located throughout the United States of America. Additionally, export sales, 86% to Canada and the balance to other countries, accounted for approximately 2.0%, 3.2% and 2.5% of the Company's sales in the years ended December 31, 2023, 2022 and 2021, respectively. One customer accounted for 16% of the Company's sales in 2023, and 13% and 15% of the Company's sales in 2022 and 2021, respectively. Additionally, one customer accounted for 11% of accounts receivable at December 31, 2023, and 23% at December 31, 2022.

ACCOUNTS RECEIVABLE: The Company records accounts receivable at net realizable value. This value includes an appropriate allowance for uncollectible accounts to reflect any loss anticipated on the accounts receivable balances. The Company calculates this allowance based on the history of write-offs, level of past-due accounts based on the contractual terms of the receivables, and the Company's relationships with and economic status of its customers.

FAIR VALUE OF FINANCIAL INSTRUMENTS: Cash and cash equivalents, trade accounts receivable, trade accounts payable and accrued expenses are reflected in the financial statements at carrying value, which approximates fair value due to the short-term nature of these instruments. The carrying value of the Company's borrowings approximates their fair value based on the current rates available to the Company for similar instruments.

PENSIONS AND OTHER POSTRETIREMENT PLANS: The Company has a non-contributory pension plan covering substantially all of its employees who meet age and service requirements. Employees hired subsequent to April 1, 2010, are not eligible to enter the pension plan. Effective March 1, 2012, the pension plan was amended to discontinue benefit accruals. Additionally, a supplemental non-contributory plan, curtailed for active employees in 2005, covers certain retired key employees of the Company. The Company also provides certain postretirement health care benefits, discontinued for new employees hired on or after January 1, 2005, to retired employees. The Company records annual expenses relating to its pension benefit and postretirement plans based on calculations which include various actuarial assumptions, including discount rates, assumed asset rates of return and turnover rates. The Company reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends. The expected long-term rate of return on plan assets assumption was updated as of January 1, 2021, from 8.5% to 6.25%. The update relied upon a review of the Plan's strategic asset allocation and duration of the Plan's liabilities and the judgement of the Plan's advisors. The change resulted in an increase in net periodic pension cost for the year ended December 31, 2021, with no impact on the Plan's benefit obligation. The effects of the gains, losses, and prior service costs and credits are amortized over future service periods. In accordance with FASB ASC 715, the funding status, or projected benefit obligation less plan assets, if any, for each plan, is reflected on the Company's balance sheets.

SHARE-BASED COMPENSATION COSTS: The Company has an incentive plan (the "2008 Stock Plan") which rewards "key persons", as defined, with restricted shares of Common Stock. Shares awarded vest in four equal annual installments based on the date of grant. The cost of these awards is determined using the market price of the shares on the date of grant. Compensation expense is recognized over the requisite vesting period and adjusted for actual forfeitures before vesting. On December 13, 2010, the 2008 Stock Plan was amended and restated (the "Amended Stock Plan"). Shares awarded to employees under the Amended Stock Plan vest in five equal annual installments based on the date of grant. Other provisions of the stock award incentive plan continue substantially unchanged.

Refer to Note 6 (Share-based Compensation).

INCOME TAXES: In accordance with FASB ASC 740, income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The Company has adopted accounting guidance related to accounting for uncertainty in income taxes. Under the "more-likely-than-not" threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. As of December 31, 2023, 2022 and 2021, the Company had no material unrecognized tax benefits or accrued interest and penalties. The Company's policy is to account for interest as a component of interest expense and penalties as a component of Selling, general and administrative expense.

IMPAIRMENT OF LONG-LIVED ASSETS: Long-lived assets, such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset, which is generally based on discounted cash flows.

USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas in which the Company makes such estimates include inventory valuation, the valuation of long-lived assets, accounts receivable, deferred tax assets and pension and postretirement benefits, among others. Actual results could differ from those estimates.

RECLASSIFICATIONS: Certain financial statement amounts reported in prior periods have been reclassified to conform with the current year presentation. The reclassifications did not impact the Company's net income or net income per share.

RECENT ACCOUNTING PRONOUNCEMENTS: In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date* ("ASU 2015-14"), which defers the effective date of ASU 2014-09 by one year. The updated standard is effective for annual reporting periods beginning after December 15, 2017, and interim periods within that reporting period. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016. The updated standard was effective for the Company for the year ended December 31, 2018. The adoption of this standard did not have a material effect on the Company's financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASU 2016-02"), revising accounting guidance for the recognition, measurement, presentation and disclosure of leasing arrangements. The update requires the recognition of a right-of-use asset and lease liability for those leases currently classified as operating leases while also refining the definition of a lease. In addition, lessees will be required to disclose key information about the amount, timing and uncertainty of cash flows arising from leasing arrangements. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, and was effective for the Company for the year ended December 31, 2019. As originally released, ASU 2016-02 required application at the beginning of the earliest comparative period presented at the time of adoption. In July 2018, the FASB issued further guidance providing the option to instead apply the provisions of ASU 2016-02 at the effective date, without adjusting the comparative periods presented. The adoption of this standard did not have a material effect on the Company's financial statements and related disclosures. ASU 2016-02 was adopted on January 1, 2019, and management assessed that the Company's operating leases consist of four equipment leases, which are immaterial both individually and in the aggregate. As such, the Company did not record additional lease assets and lease liabilities on the balance sheets. Additionally, the Company did not record a cumulative effect adjustment to opening retained earnings.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 replaced the previous "incurred loss" model for recognizing credit losses (i.e., losses are not recorded until it is probably that a loss has been incurred) with the current expected credit loss (CECL) model under which all expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost or are classified as available for sale are required to be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact ASU 2016-13 will have on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice and affects all entities required to present a statement of cash flows under Topic 230. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The ASU was effective for the Company on January 1, 2018. The standard was adopted with no material effect on its financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans ("ASU 2018-14"). This guidance removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and requires certain additional disclosures. ASU 2018-14 is effective for public entities on a retrospective basis for the year ended December 31, 2020, with early adoption permitted. The ASU was adopted by the Company on January 1, 2019, with no material effect on its financial statements and related disclosures.

Note 2 – INVENTORIES

The following are the major classes of inventories as of December 31:

	2023	2022
Finished goods............	$1,451,813	$1,149,558
Work in process..........	75,416	128,869
Raw materials..............	563,736	531,181
	$2,090,965	$1,809,608

Inventories include the cost of materials, labor and manufacturing overhead.

Note 3 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31:

	2023	2022	Estimated Useful Lives
Land	$ 591,491	$ 591,491	
Buildings and additions	13,505,537	13,005,765	10-50 years
Machinery and equipment	38,507,133	37,542,772	3-20 years
Office equipment	1,584,698	1,571,255	3-10 years
Automotive equipment	641,951	655,422	3-5 years
Cogeneration system	3,614,059	3,614,059	20 years
	58,444,869	56,980,764	
Less accumulated depreciation	49,673,070	48,730,075	
	$ 8,771,799	$ 8,250,689	

Depreciation expense was $1,047,937, $923,227 and $878,130 for the years ended December 31, 2023, 2022 and 2021, respectively.

Note 4 – DEBT

On May 21, 2015, the Company amended and extended its Credit Facilities Agreement (the "Agreement") with ACF Finco I LP, successor-in-interest to Keltic Financial Partners II, LP (the "Lender"). During the year ended December 31, 2019, all debt related to the Agreement was refinanced with a new lender. The Agreement was comprised of a term loan (the "Term Loan") and a revolving credit facility (the "Revolving Credit Facility"). The Term Loan, in the amount of $3,166,667 was payable in 42 equal installments of $45,833.33 commencing on June 1, 2015, and in one installment on December 14, 2018, equal to the then outstanding and unpaid principal and interest amount. Under the Revolving Credit Facility, the Company could borrow up to specified percentages of eligible receivables and inventory, as defined, in an aggregate amount not to exceed $2,500,000. Interest on each loan was payable monthly at the greatest of (a) the Lender's prime rate, as defined (5.50% at December 31, 2018) plus 2.75%, (b) the LIBOR Rate, as defined, plus 5.25%, or (c) 6.00%. The Agreement further provided for an annual facility fee in the amount of $56,667 payable in equal monthly installments, a monthly collateral management fee of $1,500 and a closing fee of $62,370 paid at the loan settlement and certain other expenses of the Lender. The Agreement contained financial and other covenants including minimum EBITDA and limitations on other indebtedness, capital expenditures and dividends. For the measurement periods in 2018 all covenants were satisfied by the Company. Loans and advances under the Agreement were collateralized by substantially all of the Company's assets, including real property.

On July 6, 2012, the Company and Caterpillar Financial Services Corporation ("Caterpillar") agreed to terminate an operating lease arrangement for an on-site cogeneration system to supply substantially all of the Company's electricity requirements and thermal energy for the pulping process. Caterpillar agreed to refinance the remaining balance outstanding under the lease, subject to the terms and conditions of the Security Agreement and Promissory Note (the "Caterpillar Agreement"). The Caterpillar Agreement provides for payment of the principal amount of $3,467,852 over a term of seven years commencing August 1, 2012, with interest on the outstanding principal at 5.9% per annum. Principal and interest are payable in unequal monthly installments in accordance with an amortized payment schedule, with a final payment due on August 1, 2019. During the year ended December 31, 2019, the balance of the Caterpillar agreement was paid in full as a result of the refinancing of the Company's debt.

On August 8, 2019, the Company entered into a secured financing agreement with PNC Bank, National Association and PNC Equipment Finance LLC ("PNC"). The new debt agreements provide for a revolving line of credit, commercial mortgage and equipment financing. The one-year $3,000,000 revolving line of credit bears interest at LIBOR plus two hundred seventy-five (275) basis points. The Company may borrow on the line at a percentage of its inventory and outstanding account receivable, which also collateralize the line of credit. The $2,180,000 commercial mortgage has a fifteen (15) year repayment term and bears interest at LIBOR plus two hundred seventy-five (275) basis points. The Company also entered into a swap agreement related to the commercial mortgage. The mortgage is collateralized by the building and other assets of the Company. The equipment financing allows the Company to borrow up to $1,200,000 over a twelve (12) month period, which at the end of the twelve-month period will convert to a seven-year term loan bearing interest at LIBOR plus two hundred seventy-five (275) basis points. The equipment financing is collateralized by the equipment it relates to. The unused credit was $0, based on eligible receivables and inventory as of December 31, 2023 and 2022. The outstanding amount on the revolving line of credit was $2,506,700 and $1,953,700 for the years ended December 31, 2023 and 2022, respectively. The outstanding amount on the commercial mortgage was $1,697,553 and $1,817,666, for the years ended December 31, 2023 and 2022, respectively. The outstanding amount on the equipment financing loan was $982,787 and $1,128,054 for the years ended December 31, 2023 and 2022, respectively. The Agreement contains financial and other covenants including minimum EBITDA and minimum fixed charge coverage ratio. All covenants were satisfied by the Company for the measurement periods in 2023 and 2022.

From December 2018 through March 2023 the Company executed purchase agreements with two lenders covering seven vehicles with original costs ranging between $34,462 to $58,493. Principal and interest are payable in monthly installments ranging between $568 and $1,262 over periods of sixty to seventy-two months with interest rates ranging between 5.8% to 10.5%. Final payments are due between December 2024 and March 2028. Vehicle loans are collateralized by related vehicles. As of December 31, 2023, outstanding amounts due under the loans, including current portion, were $208,651.

In February 2015, the Company purchased a 2014 Kubota wheel loader. The Company secured a purchase agreement with Kubota Credit Corporation USA for the payment of $62,656 over a term of four years commencing March 12, 2015, with 0% interest per annum. Principal is payable in equal monthly installments of $1,305.34 per month, with a final payment due in February 2019. As of December 31, 2018, the outstanding amount, including current portion, was $2,611. The balance of the agreement was paid off during the year ended December 31, 2019.

The balance of long-term debt, including current portion, outstanding at December 31, 2023 and 2022 was $2,888,991 and $3,098,776, respectively. Aggregate maturities of long-term debt as of December 31, 2023, are as follows: $429,725 in 2024, $415,726 in 2025, $388,414 in 2026, $287,909 in 2027, $240,701 in 2028 and $1,126,516 thereafter.

Total interest costs incurred during 2023, 2022 and 2021 were $438,542, $259,983, and $246,263, respectively.

Note 5 – ACCRUED EXPENSES

Accrued expenses as of December 31, 2023 and 2022, consist of the following:

	2023	2022
Commissions	$ 46,633	$ 47,282
Payroll	107,670	103,565
Warranty claims	7,500	7,500
Professional Fees	108,750	124,500
Other	91,558	65,355
	$362,111	$348,202

Note 6 – SHARE-BASED COMPENSATION

On October 24, 2008, the Board adopted the 2008 Stock Incentive Plan (the "2008 Stock Plan"). No stock was awarded in 2010 or 2009 under the 2008 Stock Plan. On December 13, 2010, the 2008 Stock Plan was amended and restated (the "Amended 2008 Plan"). The Amended 2008 Plan authorizes the issuance of restricted stock to "key persons" including officers, employees, directors and consultants to provide an incentive to enter and remain in the service of the Company, enhance the long-term performance of the Company and acquire a proprietary interest in the success of the Company. An aggregate of 35,000 shares of the Company's stock is available for issuance under the Amended 2008 Plan and a total of 22,080 shares, net of cancellations, remain available as of December 31, 2023, for future grants of stock.

The Amended 2008 Plan is administered by a Compensation Committee selected by the Board and consisting of not less than two non-employee directors. The Compensation Committee may amend or modify the Amended 2008 Plan and take all action necessary to administer it without prior Board approval.

Stock available for issuance under the Amended 2008 Plan may be from unissued Common Stock, issued Common Stock held in the Company's treasury or stock acquired by the Company for the purposes of the Amended 2008 Plan. Shares issued under the Amended 2008 Plan are subject to certain restrictions including continued service to the Company, non-transferability and repurchase rights, as defined, and such other restrictions as may be determined at the time of grant. A maximum of 3,500 shares of Common Stock may be granted annually to any key person under the Amended 2008 Plan. Shares awarded to employees under the Amended 2008 Plan vest in five equal annual installments based on the date of grant. The cost of these awards is determined using the market price of the shares on the date of grant. Compensation expense is recognized over the requisite vesting period into Selling, general and administrative expense and paid-in surplus and adjusted for actual forfeitures before vesting.

On December 2, 2015, the Board of Directors, on the recommendation of the Compensation Committee, resolved to grant 300 fully paid and non-assessable shares of stock to each of six employees of the Company. The shares vest in five equal annual installments based on the date of grant. In 2017, 180 non-vested shares of said grant were forfeited when an employee did not continue in service. Additionally, on such date, 100 fully paid and non-assessable shares were granted to each of four non-employee members of the Board of Directors. All shares granted were from authorized but unissued Common Stock.

On November 1, 2016, the Board of Directors, on the recommendation of the Compensation Committee, resolved to grant 100 fully paid and non-assessable shares of stock to each of four non-employee members of the Board of Directors. All shares granted were from authorized but unissued Common Stock.

On November 10, 2017, the Board of Directors, on the recommendation of the Compensation Committee, resolved to grant 100 fully paid and non-assessable shares of stock to each of four non-employee members of the Board of Directors. All shares granted were from authorized but unissued Common Stock.

On October 2, 2018, the Board of Directors, on the recommendation of the Compensation Committee, resolved to grant 100 fully paid and non-assessable shares of stock to each of four non-employee members of the Board of Directors. All shares granted were from authorized but unissued Common Stock.

On September 20, 2019, the Board of Directors, on the recommendation of the Compensation Committee, resolved to grant 100 fully paid and non-assessable shares of stock to each of four non-employee members of the Board of Directors. All shares granted were from authorized but unissued Common Stock.

On October 19, 2020, the Board of Directors, on the recommendation of the Compensation Committee, resolved to grant 100 fully paid and non-assessable shares of stock to each of four non-employee members of the Board of Directors. All shares granted were from authorized but unissued Common Stock.

On October 4, 2021, the Board of Directors, on the recommendation of the Compensation Committee, resolved to grant 100 fully paid and non-assessable shares of stock to each of three non-employee members of the Board of Directors. All shares granted were from authorized but unissued Common Stock.

The total fair value of shares vested and compensation incurred pursuant to the Amended 2008 Plan in 2023, 2022 and 2021 was $0, $0, and $1,575, respectively. As of December 31, 2023, there was $0 of unrecognized compensation cost related to non-vested share-based compensation under the Amended 2008 Plan.

Note 7 – TREASURY STOCK

The Company has a policy offering directors, officers and employees the option to purchase reacquired shares of Homasote Company common stock on the date acquired and at the purchase price paid by the Company. No shares were acquired or sold in 2023, 2022 or 2021.

Note 8 – COMMITMENTS AND CONTINGENCIES

On July 6, 2012, following resolution of certain operational problems with a cogeneration system ("Cogen System"), the Company successfully completed negotiations with Caterpillar to terminate an operating lease arrangement and purchase the Cogen System. Caterpillar agreed to refinance the remaining balance outstanding under the lease of $3,467,852 for a term of seven years, payable in a series of unequal monthly payments, commencing August 1, 2012, with interest at the rate of 5.9% per annum. The balance of the seven-year loan term loan was paid off in the refinancing of the Company's debt during the year ended December 31, 2019.

The Company leases certain office, manufacturing equipment and vehicles under operating leases that expire at various dates. Payments under these leases were $160,096 in 2023. Lease payments subsequent to December 31, 2023, are as follows: 2024, 2025, and 2026, $117,510; 2027, $51,996 and 2028, $14,826.

The Company is a defendant in various asbestos litigation matters. The Company is being defended in these matters by its insurance carrier, who paid all prior defense and indemnity costs as of June 16, 2008. Although the Company believes that the limits of these policies are more than sufficient to cover these claims, the Company has been requested by its insurance carrier to pay a portion of the defense and indemnity costs for claims which occurred, in whole or in part, prior to 1965. The Company has worked to locate coverage for those periods but has not been able to do so. The Company continues to investigate the merits of these claims and intends to defend them vigorously.

On June 17, 2008, the insurance carrier and the Company signed an Interim Asbestos Claims Administration Agreement (the "Agreement") that defines how the parties will share past and future defense and indemnity costs from asbestos claims. The Agreement provided for a settlement of $172,638 covering all prior costs. The Company further agreed to pay 6% of ongoing defense costs. The Company's agreed-upon share of future indemnity costs varies from 0% to 10.49%, based on the claimant's date of first exposure. The Company incurred $45,207 of such costs for the year ended December 31, 2023. The amount of such costs payable in the future is not determinable as of December 31, 2023. As of December 31, 2023, the Company recognized a provision of $35,000 in its financial statements.

During the year ended December 31, 2019, while the Company was working through its debt financing with PNC Bank, it became aware of an oil spill that previously occurred which requires remediation. Based on a professional environmental study that was conducted, the Company accrued a liability of $356,384 in the balance sheet at December 31, 2018. The Company worked with its environmental engineers and the New Jersey Department of Environmental Protection to perform the remediation. Subsequent to the remediation, the Company accrued a liability of $58,009 in the balance sheet at December 31, 2019, to cover continued testing requirements.

During the normal course of business, the Company is from time to time involved in various claims and legal actions. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Note 9 – PAYCHECK PROTECTION PROGRAM FUNDS

On April 21, 2020, the Company entered into a term note agreement as part of the United States Small Business Administration's (the "SBA") Paycheck Protection Program. The funds are to be used to retain employees, as well as for rent and utilities. The loan is for a principal sum and bears interest at a rate of 1% per annum payable over a five-year period after a six-month interest and principal deferral period. The SBA loan may be forgiven if certain criteria are met. Beginning on the date of the loan through the six-month anniversary of the loan, interest on the principal balance will accrue, but no payments of interest will be due. On the sixth-month anniversary of the loan, all principal that is not otherwise forgiven will convert to an amortizing term loan.

In June 2020, the American Institute of Certified Public Accountants (AICPA) issued Technical Question and Answer (TQA) No. 3200.18, *Borrower Accounting for a Forgivable Loan Received under the Small Business Administration Paycheck Protection Program.* The TQA was prepared after consultation with the staff of the FASB and the Securities and Exchange Commission.

Pursuant to TQA 3200.18, the Company has elected to treat the SBA Paycheck Protection Program funds as a government grant and therefore recognized the loan proceeds as other income for the year ended December 31, 2020, since the Company 1) expects to meet the PPP's eligibility criteria, and 2) considers the substance of the transaction a grant expected to be forgiven. The government assistance is recognized as income when there is reasonable assurance that a) any conditions tied to the assistance are satisfied, and b) the Company will receive the assistance. On August 18, 2021, the Company was notified that PNC received the loan forgiveness payment equal to $1,526,700 on the PPP Loan 1886 from the SBA.