HOLTZ
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NASSAU TOOL WORKS, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

Year Ended December 31, 2011

NASSAU TOOL WORKS, INC.

Notes to Financial Statements

Year Ended December 31, 2011

Financial Statements

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Financial Statements

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Independent Auditors' Report

Stockholders
Nassau Tool Works, Inc.
West Babylon, New York

We have audited the accompanying balance sheet of Nassau Tool Works, Inc. (the "Company") as of December 31, 2011, and the related statement of earnings, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Company's financial statements do not include the assets, liabilities, results of operations, cash flows or note disclosures of an affiliated variable interest entity who qualifies for consolidation. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Nassau Tool Works, Inc. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Holtz Rubenstein Reminick LLP

Melville, New York
May 24, 2012

NASSAU TOOL WORKS, INC.

Balance Sheet

December 31, 2011

Assets	
Current Assets:	
Cash and cash equivalents	$ 3,216,698
Accounts receivable	434,914
Inventories, net of progress billings	5,639,818
Total Current Assets	9,291,430
Property and Equipment, net	354,434
Other Assets	411,944
Total Assets	$ 10,057,808
Liabilities and Stockholders' Equity	
Current Liabilities:	
Accounts payable and accrued expenses	$ 1,453,737
Customer deposits	68,480
Total Current Liabilities	1,522,217
Due to Stockholders - Subordinated	123,858
Commitments	
Stockholders' Equity:	
Common stock, no par value; 200 shares authorized, 150 shares issued	8,700
Additional paid-in capital	200,000
Retained earnings	8,603,033
Total Stockholders' Equity	8,811,733
Less Cost of 50 Shares Held in Treasury	(400,000)
Total Stockholders' Equity	8,411,733
Total Liabilities and Stockholders' Equity	$ 10,057,808

Statement of Earnings

Year Ended December 31, 2011

Revenues:	
Net sales	$ 16,223,739
Costs and Expenses:	
Cost of goods sold	9,927,306
Selling, general and administrative expenses	1,526,316
Interest expense	68,574
	11,522,196
Earnings from Operations	4,701,543
Other Income	610
Net Earnings	$ 4,702,153

NASSAU TOOL WORKS, INC.

Statement of Stockholders' Equity

Year Ended December 31, 2011

	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, January 1, 2011	$ 3,400,807	$ 8,700	$ 200,000	$ 3,592,107	$ (400,000)
Prior Period Adjustments	1,028,055	-	-	1,028,055	-
Distributions to Stockholders	(719,282)	-	-	(719,282)	-
Net Earnings	4,702,153	-	-	4,702,153	-
Balance, December 31, 2011	$ 8,411,733	$ 8,700	$ 200,000	$ 8,603,033	$ (400,000)

See notes to financial statements.

Statement of Cash Flows

Year Ended December 31,2011

Cash Flows from Operating Activities:	
Net earnings	$ 4,702,153
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation	83,996
Bad debts	(32,845)
Changes in operating assets and liabilities:	
Decrease in assets:	
Accounts receivable	1,016,806
Inventories, net of progress billings	70,952
(Decrease) increase in liabilities:	
Accounts payable and accrued expenses	(1,445,372)
Customer deposit	68,480
Total adjustments	(237,983)
Net Cash Provided by Operating Activities	4,464,170
Cash Flows from Investing Activities:	
Capital expenditures	(33,226)
Increase in cash surrender value of life insurance policies	(29,562)
Net Cash Used in Investing Activities	(62,788)
Cash Flows from Financing Activities:	
Principal payments on bank debt	(700,000)
Principal payments on loan payable	(39,784)
Repayments to affiliate	(975,000)
Distributions to stockholders	(719,282)
Repayments of loans on officer's life insurance	(5,229)
Net Cash Used in Financing Activities	(2,439,295)
Net Increase in Cash and Cash Equivalents	1,962,087
Cash and Cash Equivalents, beginning of year	1,254,611
Cash and Cash Equivalents, end of year	$ 3,216,698

Notes to Financial Statements

Year Ended December 31, 2011

1. Summary of Significant Accounting Policies

Description of business - Nassau Tool Works, Inc. (the "Company") is engaged in critical manufacturing of aircraft landing gear components of major aircraft manufacturers throughout the United States and Canada.

Concentration of credit risk - Financial instruments which potentially subject the Company to a concentration of credit risk consist primarily of cash and accounts receivable. The Company places its cash in checking and money market accounts with financial institutions insured by the FDIC. At times, such investments exceed the FDIC insurance limit or are not covered by FDIC insurance; however, these amounts are typically accessed upon demand and therefore bear minimal risk. The Company performs ongoing credit evaluations of its customers and generally does not require collateral.

Fair value - The Company adopted the standards related to "*Fair Value Measurements and Disclosures*" which provides guidance for using fair value to measure assets and liabilities. Under these standards, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date (exit price). The Company must classify fair value measurements in one of the following categories:

Level 1 - Inputs which are defined as quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Inputs which are defined as inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3 - Inputs are defined as unobservable inputs for the assets or liabilities.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may effect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Revenue recognition - The Company recognizes revenue when the title and risk of loss have passed to the customer, there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable, and collectability is reasonably assured. Revenue typically is recognized at time of shipment. Sales are recorded net of discounts, rebates and returns.

Inventories - Inventories are valued at the lower of cost or market using the first-in, first-out ("FIFO") method.

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Allowance for doubtful accounts - Management must make estimates of the uncollectability of accounts receivable. Management specifically analyzes accounts receivable and analyzes historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. There was no allowance for doubtful accounts at December 31, 2011.

Depreciation - Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

Notes to Financial Statements

Year Ended December 31, 2011

Income taxes - As a sub-chapter "S" Corporation and a limited liability company, the Company is not subjected to federal and state income taxes. Accordingly, the Company's profits and losses are passed directly to its stockholders for inclusion in their income tax returns. Accordingly, no provision for federal or state income taxes is included in the financial statements.

Uncertain tax positions - It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more-likely-than-not to be sustained upon examination by taxing authorities. To the extent that the Company prevails in matters for which a liability for an unrecognized tax benefit is established of is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected. The Company's policy is to recognize interest and penalties related to income tax issues as components of income tax expense. As of December 31, 2011, the Company does not believe it has any uncertain tax positions that would require either recognition or disclosure in the accompanying financial statements. The Company is subject to examination by the Internal Revenue Service for years 2008 through 2011.

Statement of cash flows - For the purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Shipping and handling costs - The Company has included freight-out as a component of selling, general and administrative expenses, which amounted to approximately $39,000 for the year ended December 31, 2011.

2. Inventories

Inventories consist of the following:

December 31, 2011	
Work in Process	$ 6,411,700
Hardware	498,385
Less Progress Billings	(1,270,267)
	$ 5,639,818

Inventories are presented net of progress billings in accordance with the specified contractual arrangements with the United States Government ("USG"), which results in the transfer of title of the related inventory from the Company to the USG.

3. Property and Equipment

Property and equipment, at cost, consists of the following:

December 31, 2011	
Machinery and Equipment	$ 9,198,938
Transportation Equipment	167,583
Leasehold Improvements	335,814
Furniture and Fixtures	204,619
Less Accumulated Depreciation	(9,552,520)
	$ 354,434

Notes to Financial Statements

Year Ended December 31, 2011

4. Other Assets

Other assets at December 31, 2011 include approximately $412,000 of cash surrender value on life insurance policies, net of outstanding loans of approximately $64,000.

5. Notes Payable - Bank

The Company has available a $1,500,000 revolving line of credit that bears interest at the bank's lending rate (3.25% at December 31, 2011), expires on May 31, 2012 and is payable on demand. There were no amounts outstanding against the line of credit as of December 31, 2011.

6. Due to Stockholders - Subordinated

Amounts due to stockholders at December 31, 2011 are due on demand and bear interest at 9.00% per annum. These amounts are subordinated to the line of credit as described above in Note 5. Included in accrued expenses at December 31, 2011 is approximately $172,000 of accrued interest related to this loan.

7. Supplementary Information to Cash Flow Statement

Interest paid for the year ended December 31, 2011 was approximately $9,700.

Taxes paid for the year ended December 31, 2011 was approximately $3,000.

8. Major Customers

The Company derived revenue from two customers approximating 42% and 28%, respectively, of total revenue for the year ended December 31, 2011.

Accounts receivable related to these customers was approximately $0 and $22,000, respectively, at December 31, 2011.

9. Profit-Sharing Plan and 401(k) Savings Plan

The Company maintains a profit-sharing plan pursuant to the Internal Revenue Code covering all employees who have attained 21 years of age with six months or more of service. The amount of employer contributions is determined annually by the board of directors. The Company also has a 401(k) savings plan. Employees can contribute to the Plan up to a maximum of 20% of gross compensation. The employer may make matching contributions equal to a discretionary percentage determined by the board of directors. The Company contributed approximately $18,000 for the year ended December 31, 2011.

10. License Agreement

On May 18, 2001, the Company entered into a ten year license agreement with Boeing Aircraft ("Licensor") for the right to use the Licensor's technical data in connection with the manufacture and sale of certain landing gear parts and technical services. Either party can terminate the agreement with 90 days written notice. In August 2009, the license agreement was amended to clarify the license fee calculation and extend the agreement until June 30, 2012.

The license agreement provides for an initial payment of $25,000, annual payments of $10,000, plus license fees of 8% of any licensed products sold by the Company. License fees expensed under this agreement for the year ended December 31, 2011 approximated $663,000.

Notes to Financial Statements

Year Ended December 31, 2011

11. Related Party

The Company leases its office and manufacturing facilities on a month-to-month basis from Edison Realty, LLC ("Edison") (an affiliate owned by the Company's stockholders). Total rental expense to its affiliate was $360,000 for the year ended December 31, 2011, of which, $229,000 remained unpaid and is included in accounts payable and accrued expenses at December 31, 2011.

The Company has guaranteed a mortgage on the aforementioned property. The amount outstanding at December 31, 2011 was approximately $2,799,000. Management believes that Edison (with total unaudited assets and revenues (income tax basis) of approximately $1,183,000 and $360,000, respectively, as of, and for the year ended December 31, 2011) is a Variable Interest Entity. Edison engages primarily in holding real estate and leasing it to the Company for its operations, as discussed above. Management believes the Company's maximum exposure to economic loss as a result of its relationship with Edison is not likely to be material.

During 2011, the Company fully repaid principal in the aggregate of $975,000 to Edison. The note was payable on demand and carried interest at 7.5% per annum. Included in accrued expenses at December 31, 2011 is approximately $195,000 of interest related to this loan.

12. Prior Period Adjustments

As of December 31, 2010, the Company erroneously recorded the following items:

1. Omission of accrued expenses resulting in an increase in the January 1, 2011 (or "opening") stockholders' equity of $135,682.

2. Omission of revenue resulting in a decrease in the opening stockholders' equity of $358,300.

3. Omission of cost of goods sold resulting in a decrease in the opening stockholders' equity of $805,437.

The prior period adjustments are summarized as follows:

	As Previously Stated	As Restated	Under/(Over) Statement of Stockholders' Equity
Accounts Payable and Accrued Expenses	$ 2,388,021	$ 2,523,703	$ (135,682)
Revenue	14,643,598	15,001,898	358,300
Cost of Goods Sold	12,223,284	13,028,721	805,437
Net Adjustment from Restatement			1,028,055
Stockholders' Equity, at January 1, 2011, as previously stated			3,400,807
Stockholders' Equity, at January 1, 2011, as restated			$ 4,428,862

13. Subsequent Events

The Company has evaluated events and transactions that occurred between January 1, 2012 and May 24, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. The Company is currently negotiating the sale of substantially all of its assets to Air Industries Group, Inc. for approximately $12,000,000. No additional events or transactions occurring during this subsequent event reporting period which require recognition or disclosure in the combined financial statements.