ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
AL TECH LOAN FUND
FINANCING TO FUEL BUSINESS GROWTH

AGENDA
November 21, 2024 – 8:30 am
111 Washington Ave, Suite 100
Albany, NY 12210
Conference Room

1.	Welcome	Allen Maikels, Acting Chair
2.	Roll Call for Record	Allen Maikels, Acting Chair
3.	Minutes of Oct. 17, 2024 Meeting	Allen Maikels, Acting Chair
4.	Committee Reports:	
	a. Finance Committee	Allen Maikels, Committee Chair
	i. Oct 2024 Financial Statements	
	b. Audit Committee	Marcus Pryor, Committee Chair
	i. Approval External Audit Engagement	Kevin Testo, Bonadio
5.	CFO Report	Amy Thompson, CFO
6.	Applications for Consideration	
	a. Ecovative, LLC Application	Kevin Catalano
	i. (action) Resolution Approving Ecovative Loan	
	b. Renewal – Northeast Pest Control	
	i. (action) Resolution Approving Northeast Pest Control Renewal	
7.	Executive Session	
8.	Other Business	
9.	CEO Report	Kevin O'Connor, CEO
10.	Adjournment	Allen Maikels, Acting Chair

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
AL TECH LOAN FUND
FINANCING TO FUEL BUSINESS GROWTH

Roll Call

November 21, 2024 – 8:30 a.m.

111 Washington Ave, Suite 100, Albany, NY 12210 - Conference Room

Board Member	Present / Excused / Absent
Jeffrey Stone, Chairman	
Alan Alexander, Treasurer	
Diana Ostroff, Secretary	
Allen Maikels, Member	
Marcus Pryor, Member	
Daniel Scarring, Member	
Susan Pedo, Member	
Caitlin O'Brien (Ex-Officio – J. Cunninham)	
Lucas Rogers (Ex-Officio – M. McLaughlin)	

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
AL TECH LOAN FUND
FINANCING TO FUEL BUSINESS GROWTH

Board of Directors Meeting Minutes
October 17, 2024

DIRECTORS PRESENT	Alan Alexander, Alan Maikels, Caitlin O'Brien, Diana Ostroff, Susan Pedo, and Marcus Pryor
EXCUSED DIRECTORS	Jeffrey Stone, Lucas Rogers, and Daniel Scarring
COUNSEL PRESENT	John Hartzell
AACA STAFF PRESENT	Kevin O'Connor, Amy Thompson, Kevin Catalano, Antionette Hedge, and Dylan Turke

Ms. Pedo asked for a motion to appoint Mr. Maikels as the temporary Chairman in the absence of Mr. Stone; Mr. Alexander seconded the motion; all those present voted in favor.

Mr. Maikels called the meeting to order at 8:31 a.m. and then read the roll call and it was determined that there was quorum.

Mr. Maikels presented the Minutes from the July 17, 2024 meeting. There are no corrections noted. Mr. Pryor made a motion to approve the July 17, 2024 Meeting Minutes; Ms. Pedo seconded the motion; all those present voted in favor.

Finance Committee Report:

Ms. Thompson presented the September 2024 Financial Statements. She made a recommendation to move funds into a treasury bill.

Ms. Thompson presented the 2025 Budget for PARIS filings. Mr. Alexander made a motion to approve the 2025 Budget. Ms. Pedo seconded the motion; all those present voted in favor.

Ms. Thompson presented the Third Quarter 2024 Advance Albany County Alliance Vouchers. The first was for AACA and the second was for the Shovel Ready Site Reimbursement. Ms. Ostroff made a motion to accept the Third Quarter 2024 Advance Albany County Alliance Voucher; Mr. Pryor seconded the motion; all those present voted in favor. Ms. Ostroff made a motion to accept the Shovel Ready Site Voucher; Mr. Alexander seconded the motion; all those present voted in favor.

There was no CFO report.

Mr. O'Connor asked the board if a staff member, who is lead on the Al Tech Steel Site, provide updates and the status of the site.

New Business:

(1) Mr. Catalano presented the loan modification (extension) request of Pavement Technologies International Corp., and a Resolution in connection therewith. Upon due consideration of the following loan terms, a motion to approve the loan modification request was made by Mr. Alexander and seconded by Ms. Ostroff; all those present voted in favor.

Borrower:	Mark and Edward Reeves (Reeves Associates, LLC)
Principal Amount:	$150,000.00
Interest Rate:	3.75%

Term:	5-year term and 5-year amortization
Guaranty:	1525 Western Ave
Collateral:	Second Mortgage lien on the property behind an M&T Bank firsts mortgage.

(2) Mr. Catalano presented the loan modification request for 219 Warehouse Grill. A request to release the corporate guarantee of MezzaNotte and LLC and Stellare, LLC from the loan. Upon due consideration of the following loan terms, Mr. Alexander made a motion to approve the loan modification as presented providing AACA with flexibility; Mr. Maikels seconded the motion; all those present voted in favor.

(3) Mr. Catalano provided an update for Bozzy Moo (The Yard). The owner, Leyla Kiosse will be listing The Yard – Hatchet House & Bar for sale through NAI Platform. Boozy Moo will be a separate entity.

(4) Mr. Catalano a presented change in collateral for Downtube Too. The residence listed as collateral is in trust. A recommendation to change the collateral from the residence to the business located in Oneonta, NY. Mr. Alexander made a motion to approve as presented; Ms. Pedo seconded the motion. Mr. Pryor recused himself and all remaining Board members in attendance voted in favor.

(5) Mr. Catalano presented a change in collateral and modification for Faith Creative Names. Frist mortgage on the property located at 257 Central Ave. Albany, NY and UCC lien filing on all business assets. Mr. Alexander made a motion to approve as presented; Ms. Ostroff seconded; all present voted in favor.

Mr. O'Connor presented the Alliance CEO Report.

Mr. Maikels made a motion to move to adjourn the meeting at 9:18 a.m. and Mr. Pryor seconded the motion; all members of the Board in attendance voted in favor.

Respectfully submitted,

Diana Ostroff

Diana Ostroff, Secretary

ALBANY BUSINESS DEVELOPMENT CORPORATION
Financial Statement Narrative
For the Period Ending YTD
October 31, 2024

This report provides an overview of the P&L and Balance Sheet for Albany Business Development Corporation YTD October 2024.

In 2024 the ACBDC will continue to promote economic growth and business retention by offering financing to businesses. The businesses demonstrated strong possibilities for growth, real property improvement, increased employment, and retention of employment within the County.

Total revenue for YTD October was $571,967 derived from bank, loan, and investment interest. We were favorable to budget by $48,509.

The ACBDC remains committed to financial transparency and accountability. Rigorous financial controls and reporting mechanisms are in place to ensure the effective and responsible use of funds in alignment with the organization's mission and objectives. As of October the ACBDC has disbursed four loans in 2024 for $180,000 to Moxie Owl, $550,000 to Common Roots, $750,000 to Mailworks and $135,000 to Faith Creative Names.

The expenses YTD were $352,558 which was favorable to budget by $147,442 due to the Shovel Ready Site Development Fund reimbursement being significantly less than the budgeted amount. All in, the ACBDC has spent roughly $92,205 of the $1,000,000 pledged to the Alliance to assist with the expenses related to shovel ready sites.

Our current cash position is strong at $9,438,127. The decision to invest $7,000,000 in US Treasury Bills has resulted in additional investment interest earned annually. The net income for the ACBDC at the end of October was $219,410.

Our loan receivable balance stands at $10,637,452 and all loans are paid current.

There are currently no identifiable significant risks or uncertainties that would impact the ACBDC’s future financial performance.

ALBANY BUSINESS DEVELOPMENT CORPORATION
Financial Statement Narrative
For the Period Ending YTD
October 31, 2024

Profit & Loss

Operating Revenue –
Application fees of $1,500 from Moxie Owl LLC, Common Roots and Mailworks for $500 each.

Bank interest of $120,511.

Loan interest received is in the amount of $271,285.

Investment interest of $178,671.

Operating Expenses–

Shovel Ready Site Development Fund expenses of $52,697 are reimbursable items to the Alliance for Shovel Ready Site expenses paid to National Grid, Tom Owens, Young Sommer and GdB Geospatial LS.

Agency Fee expenses of $299,861 include expenses reimbursed to the Alliance for YTD October which include payroll/benefits, professional/legal services, and miscellaneous office expenses.

Balance Sheet

Assets –

Cash balance as of October 31, 2024 is $9,438,127 of which roughly $7,240,000 is invested in US Treasury bills.

Loans receivable of $10,637,452 of which all loans are currently paid up to date.

Liabilities –

Due to Alliance balance of $61,723 includes reimbursable expenses for October 2024 for both operating expenses as well as Shovel Ready Site Development Fund expenses.

Albany County Business Development Corporation
Statement of Net Position
As of October 31, 2024

		Total
ASSETS		
Current Assets		
Bank Accounts		
Restricted Cash		
10220 - M&T MM 3324 ALTECH ACBDC		1,669,227.92
10250 - M&T 4113 Al Tech Operating		528,724.93
10260 - US Treasury Bill - 6 months		2,630,736.53
10270 - US Treasury Bill - 12 months		2,609,977.84
10280 - US Treasury Bill - 12 months		1,999,459.76
Total Restricted Cash	**$**	**9,438,126.98**
Unrestricted Cash		
10210 - M&T ACBDC Corp Checking 4105		24,060.36
10255 - M&T 3994 CRAF Operating		3.00
Total Unrestricted Cash	**$**	**24,063.36**
Total Bank Accounts	**$**	**9,462,190.34**
Accounts Receivable		
14615 - Loans Receivable-Al Tech LT		10,637,452.09
14620 - Bad Debt Allowance		-102,594.35
15150 - Accrued Loan Interest		27,001.36
Total Accounts Receivable	**$**	**10,561,859.10**
Other Current Assets		
15200 - Accrued Investment Income		42,341.47
Total Fixed Assets	**$**	**42,341.47**
Total Current Assets	**$**	**20,066,390.91**
Fixed Assets		
16000 - Furniture & Fixtures		6,588.00
16999 - Accumulated Depreciation		-6,588.00
Total Fixed Assets	**$**	**0.00**
TOTAL ASSETS	**$**	**20,066,390.91**
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
20051 - Due to Advance Albany Co Alliance		61,722.96
Total Accounts Payable	**$**	**61,722.96**
Total Liabilities	**$**	**61,722.96**
Net Position		
28615 - Trust Assets		15,650,961.00
30000 - Net Assets		6,176,905.00
Retained Earnings		-2,042,607.67
Net Operating Revenues		219,409.62
Total Net Position	**$**	**20,004,667.95**
TOTAL LIABILITIES & NET POSITION	**$**	**20,066,390.91**

Albany County Business Development Corporation
Statement of Revenue, Expenses and Changes in Net Position
YTD Oct 2024

		Total
Operating Revenues		
41000 - Application Fees		1,500.00
44000 - Bank Interest		120,511.48
44050 - Loan Interest Earned		271,285.09
44100 - Investment Interest		178,670.88
Total Operating Revenues	**$**	**571,967.45**
Operating Expenses		
50034 -Shovel Ready Site Development Fees		52,696.68
50035 - Agency Fee		299,861.15
Total Operating Expenses	**$**	**352,557.83**
Change in Net Position	**$**	**219,409.62**

Albany County Business Development Corporation
Budget vs. Actuals: 2024 Budget - FY24 P&L
YTD Oct 2024

	Actual	Budget	Budget Variance	% of Budget
Operating Revenues				
41000 - Application Fees	1,500.00	2,625.00	-1,125.00	57.14%
44000 - Bank Interest	120,511.48	208,333.34	-87,821.86	57.85%
44050 - Loan Interest Earned	271,285.09	312,500.00	-41,214.91	86.81%
44100 - Investment Interest	178,670.88	0.00	178,670.88	100.00%
Total Operating Revenues	**$ 571,967.45**	**$ 523,458.34**	**$ 48,509.11**	**109.27%**
Operating Expenses				
50034 -Shovel Ready Site Development Fees	52,696.68	208,333.34	-155,636.66	100.00%
50035 - Agency Fee	299,861.15	291,666.66	8,194.49	102.81%
Total Operating Expenses	**$ 352,557.83**	**$ 500,000.00**	**-$ 147,442.17**	**70.51%**
Change in Net Position	**$ 219,409.62**	**$ 23,458.34**	**$ 195,951.28**	**935.32%**

Bonadio & Co., LLP
Certified Public Accountants

Albany County Business Development Corp.

2024 Audit Plan

November 21, 2024

877.917.3077 | bonadio.com |

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November 21, 2024

Dear Members of the Board of Directors Albany County Business Development Corporation,

We are pleased to present our 2024 Audit Plan for the financial statements of Albany County Business Development Corporation or (the "Organization"). The information included in this report allows you to understand the judgments we have made in planning and scoping our audit procedures.

This report was prepared based on information obtained from meetings with management, knowledge of the Organization, consideration of the business environment and risk assessment procedures. Our audit approach will remain flexible and responsive to the Organization's environment. Any significant changes to our audit plan will be discussed with the Board of Directors at a future meeting.

Discussion of our audit plan ensures our Bonadio engagement team members understand your concerns and together we agree on mutual needs and expectations, which enables us to provide the highest level of service and audit quality. We value and encourage your observations and your input.

We look forward to addressing your questions and discussing any other matters of interest. Please feel free to call me at 518-250-7708.

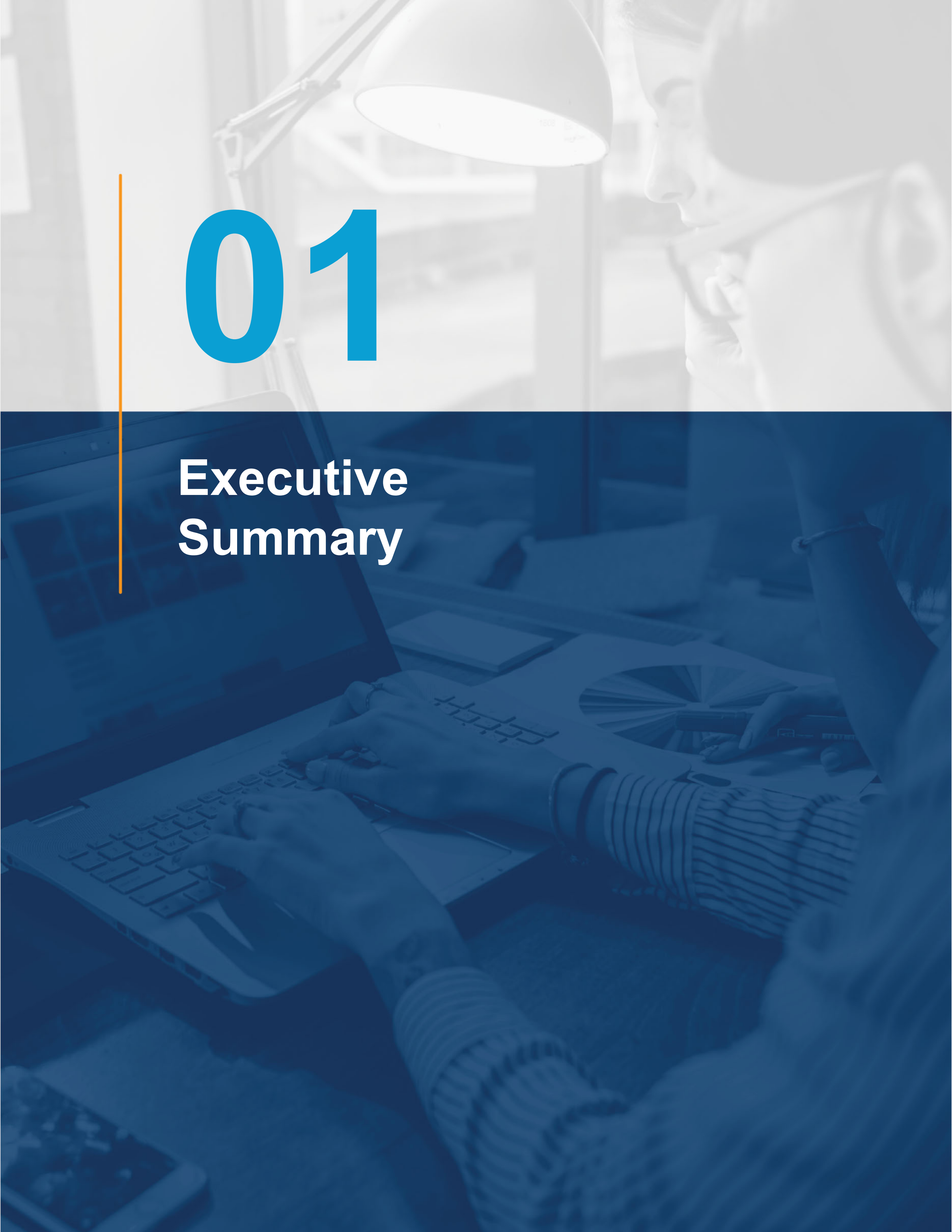
Very truly yours,

Kevin Testo, CPA

Engagement Partner

01

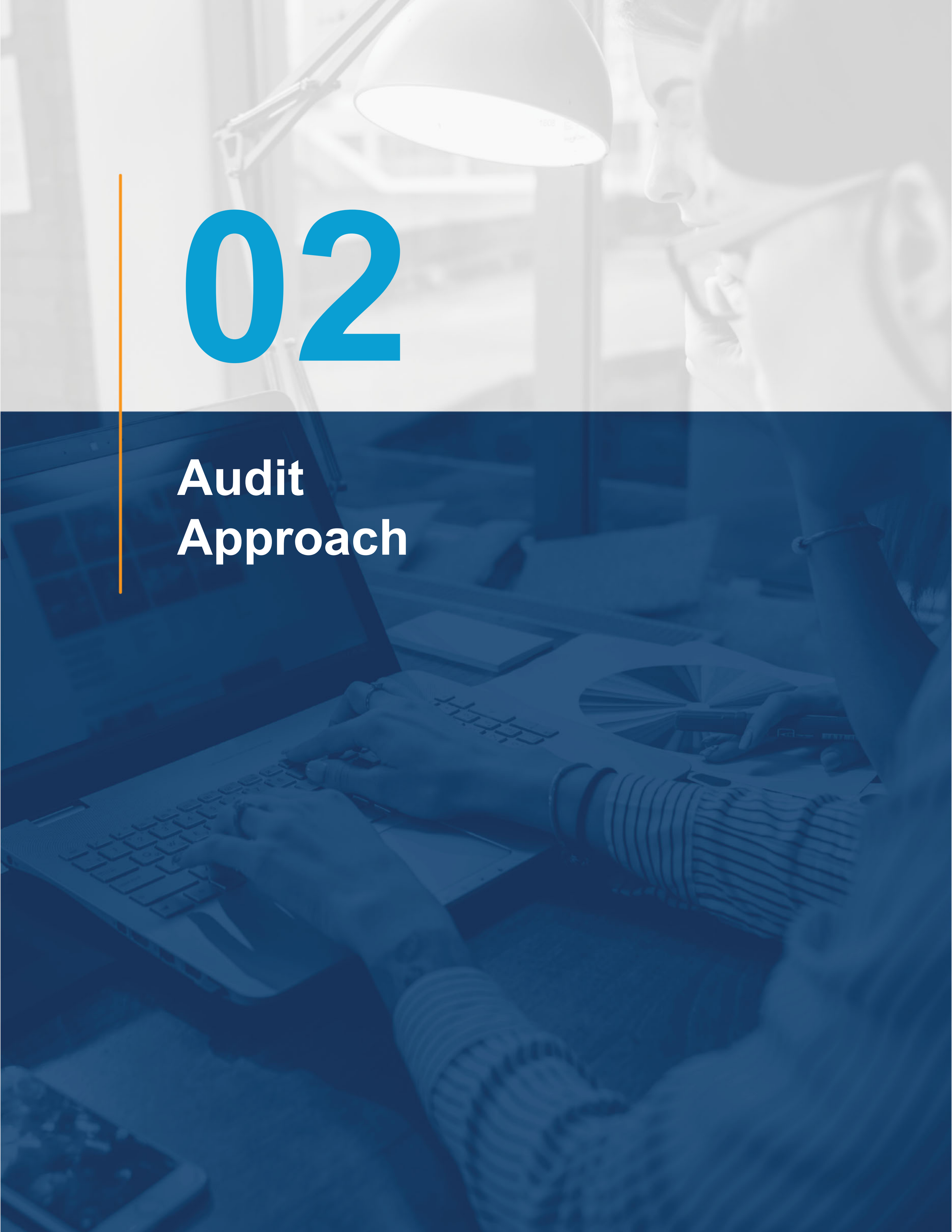
Executive Summary



Audit Planning Considerations

The Audit Highlights

- We affirm our independence from Albany County Business Development Corporation on an annual basis and determine Bonadio & Co., LLP is independent.
- We will assess the continued impacts of current economic environment on the Organization's financial status and liquidity.
- We continue to work with your management team to make this audit process as efficient as possible.
- ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (Year 2)



02

Audit Approach

Audit Approach

Our Primary Objectives are to:

- Perform an audit in accordance with Generally Accepted Auditing Standards (GAAS) to obtain reasonable assurance the Organization's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP), and are free from material misstatement whether caused by error or fraud.
- Render an opinion on the financial statements of Albany County Business Development Corporation as of December 31, 2024 and for the year then ending.
- Our audit does not relieve management of its responsibilities with regard to governance and oversight.
- An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting.

Our Audit Deliverables

- Audit report on the Organization's December 31, 2024 financial statements
- Preparation of Form 990 Filing

Audit Approach

Risk Assessment Process and Results

Approach and Definitions

Our audit approach is based on the following principles:

- The use of a top-down, risk-based approach
- The application of well-reasoned professional judgment
- These principles, with the application of materiality, allow us to develop and execute our audit approach in an effective and efficient manner. The results of our risk assessment include the identification of audit risks and also drives the identification of significant accounts. We evaluate audit risks as defined below.

Fraud risk – requires special audit consideration in terms of the nature, timing or extent of testing due to the consideration of incentives, pressures and opportunities to commit fraud, likely magnitude of potential misstatements and/or the likelihood of the risk occurring.

Significant risk – requires special audit consideration in terms of the nature, timing or extent of testing due to the risk's nature, likely magnitude of potential misstatement and/or likelihood of that risk occurring - including the possibility that the risk may give rise to multiple misstatements.

Normal risk – relates to the relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgment. Although a risk of material misstatement exists, there are no special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Audit Approach

Risk Assessment Process and Results

Fraud and Significant Risks

We have outlined below the fraud and significant risks identified based on our preliminary risk assessment process, together with our planned audit response.

Risk Description	Significant assumptions
Management Override – Risk of management override of controls, including accounting for significant unusual transactions, particularly sensitive accounting estimates, and manual journal entries	• Test journal entries focusing on certain characteristics that may indicate a risk of fraud • Test underlying assumptions used in any sensitive accounting estimates • Review financial statements for inaccurate or omitted disclosures • Make inquiry of key members of management
Revenue recognition – A significant risk of fraud in revenue recognition exists	• Assess relevant revenue controls for design effectiveness and implementation • Test manual journal entries focusing on unusual entries that impact revenue • Test material revenue transactions

Audit Approach

Timeline and Communication Plan

The table below outlines our expected timing of communications and planned audit procedures. In addition, we may communicate with you more frequently, if and when significant matters arise.

November 2024 – January 2025: Planning

- Meet with Management to understand the business, assess risk and obtain update of business and operating plan
- Assess the key audit risks and materiality
- Complete understanding of controls and preliminary scoping of accounts, processes and locations

February 2025: Execution

- Perform substantive procedures as of year-end

March 2025: Completion

- Meet with the Board of Directors to discuss results of the audit
- Subsequent event procedures

Client Service Team

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Other Required Communications

Fraud

We are required to make certain inquiries of the Board of Directors related to fraud risks. In addition, as part of our overall response to fraud risk, we incorporate unpredictability into our audit by modifying the nature, timing and extent of our procedures.

Fraud is a broad legal concept, and auditors do not make legal determinations of whether fraud has occurred. Rather, the auditor's interest specifically relates to acts that result in a material misstatement of the financial statements. The primary factor that distinguishes fraud from error is whether the underlying action that results in the misstatement of the financial statements is intentional. The following two types of misstatements are relevant to the auditor's consideration of fraud:

Misstatements arising from fraudulent financial reporting are intentional misstatements or omissions of amounts or disclosures in financial statements designed to deceive financial statement users when the effect causes the financial statements not to be presented in all material respects, in conformity with generally accepted accounting principles (GAAP).

Misstatements arising from misappropriation of assets involve the theft of an entity's assets when the effect of the theft causes the financial statements not to be presented, in all material respects, in conformity with GAAP.

Fraud Items For Discussion:

- Programs and controls in place to mitigate the risk of fraud and error
- Specific concerns about the risk of fraud or error
- Any actual, alleged or suspected fraud
- Violations or possible violations of law
- Other matters relevant to the audit

Other Required Communications

Independence

There are no relationships or other matters identified that might reasonably be thought to bear on independence.

Non-compliance with laws and regulations and illegal acts

We have not identified any instances of non-compliance with laws and regulations. We have not identified any potential illegal acts.

Significant issues discussed with management prior to appointment or retention

There are no significant issues discussed with management in connection with the retention of Bonadio.

Obtain information relevant to the audit

We will inquire of the Board of Directors about whether it is aware of matters relevant to the audit and about the risks of material misstatement.

03

Appendices

Focused on Your Success

We recognize that Board members and organization leaders have tremendous responsibilities today, facing increasingly complex demands in all areas of their operations as well as navigating uncertain futures. The Bonadio Group offers a broad range of consulting solutions to help Board Members and Leadership Teams achieve their organizations' goals. From analysis to execution, we deliver focused advisory services that drive growth and profitability and mitigate risk The. following are a few select areas for which we have provided advisory services to organizations just like yours.

Operational Efficiencies: An efficiency study provides the insight to achieve goals; whether increasing profitability, mitigating risk, updating policies and procedures or analyzing cash flow.

Profitability Analysis: Our analysis helps stabilize revenues and identify new growth opportunities to increase profitability. It often provides a new perspective and encourages development of even stronger relationships with your A- list customers and your service lines.

Cash Flow Management: We calculate and review targeted forecasts, cash ratios, quick ratios, and current ratios to create various scenarios to provide the business intelligence to make strategic decisions.

Compliance Requirements: We review, assess, train and develop compliance programs in accordance with the regulations of your industry, from HIPAA to corporate compliance, including a virtual Compliance Officer for your entity.

Outsource Accounting & Finance: Our Outsource Accounting Team has helped hundreds of businesses across multiple industries achieve their goals and financial peace of mind. Take the weight of finance and accounting off your team's shoulders and give it to us, connect with me today. For assistance please contact Gregg Genovese, Partner, at 585.249.2878.

Bonadio Advisory

Analysis to Execution.

Focused on Your Success.

Bonadio & Co., LLP
Certified Public Accountants

Albany County Business Development Corp.
AI Tech Loan Fund
Loan Proposal
November 21, 2024

BORROWER: Ecovative, LLC

REQUEST: One-Million Dollars ($1,000,000)

TERM: 5-year term and amortization

RATE: 4.00%

PROJECT: Ecovative, LLC has started two divisions, My Forest Foods (MyBacon) and Forager. The two divisions need working capital for increased staffing, to meet anticipated demand.

The sources and uses of the proposed project financing are follows:

SOURCES			USES	
AI Tech Funds	$1,000,000		Working Capital	$1,000,000
Total	$1,000,000		Total	$1,000,000

Ecovative has invested over $6.8 million in plant, equipment and engineering to prepare for the expected growth. They expect to invest another $15 million in plant, equipment and engineering in the first half of 2025.

COLLATERAL: ACBDC will take a specific lien on commercial kitchen and or commercial packaging equipment valued between $3 and $3.5 Million dollars. List of collateral to be provided by Borrower and satisfactory to Director of Commercial Lending and ACBDC closing counsel.

GUARANTORS: There will be no personal guarantees for this loan as there are no individuals with more than 20% ownership, including the co-founders. The loan will require the corporate guarantee of My Forest Foods

BACKGROUND:

ecovative

Ecovative & MyForest Foods Business Plan 2024-2027

Executive Summary

Ecovative and its subsidiary MyForest Foods are transforming the global materials and food manufacturing industries through advanced mycelium technology that delivers sustainable, carbon-reducing products. Through its proprietary AirMycelium™ technology, Ecovative has established itself as the leader in sustainable mycelium materials, transforming sectors from food to fashion. With over $170M in venture capital raised and $40M+ strategically invested in cutting-edge infrastructure, the company is expertly positioned for explosive growth, projecting an expansion from $10-12M (2024) to $100M+ (2028) revenue. This growth trajectory is backed by industry-leading operational efficiency, with 4x lower COGS and 2-3x lower CAPEX requirements versus competitors.

Leadership Position & Regional Impact

Ecovative stands as the global leader in mycelium technology, holding a comprehensive patent portfolio that covers key innovations in AirMycelium™ production and applications. Through strategic investments exceeding $48M in New York State infrastructure, including state-of-the-art feedstock production, vertical farming, and processing facilities, the company has established the Capital Region as the world's premier hub for mycelium innovation and commercial-scale production. This concentrated investment in New York, combined with Ecovative's proprietary technology and robust IP protection, positions both the company and the region to capture a significant share of the $200B+ total addressable market while maintaining technological leadership in the rapidly growing sustainable materials and alternative protein sectors.

Infrastructure & Operations

Current NYS Investments ($48M Total)

- $25M: High-quality feedstock production

- $18M: Vertical farm (1-2M lbs annual capacity)
- $5M: MyBacon food production facility

- Location: Green Island, NY (Albany County)

Annual Growth Projections

2024 (Baseline)

- Revenue: $16MM
- Workforce: 114 FT employees
- Current Infrastructure:
    - Feedstock production facility
    - Initial vertical farm (1-2M lbs capacity)
    - 5,000 sq ft MyKitchen facility
    - Basic Forager processing equipment

2029 (Target)

- Revenue: $210MM (12.3x growth)
- Workforce: 300+ employees (+186 positions)
    - 90 FT Production Staff (+57)
    - 45 PT Production Staff (+45)
    - 3 Production Supervisors (+2)
- Infrastructure Expansion Completed:
    - Optimized feedstock production
    - Expanded vertical farming capacity
    - Full MyKitchen expansion
    - Advanced Forager processing facility
- Total New Investment Required: $32-35M
- Equipment/Infrastructure: $24-27M
- Workforce Expansion: $8.2M

Revenue Streams & Targets (2029)

1. MyForest Foods (Ecovative majority shareholder)
  - Product: MyBacon™ and whole-cut alternatives
  - Revenue Target: $110MM
  - Gross Margin: 36%
  - Growth: 130% CAGR

2. Forager Division
  - Product: AirLoom mycelium hides
  - Revenue Target: $68MM
  - Gross Margin: 66%
  - Growth: 100% CAGR

3. Seeds and Services
   - Product: AirMycelium strains & technology
   - Revenue Target: $25MM+
   - Gross Margin: 66%
   - Growth: 60% CAGR

Growth Strategy

Production Expansion Phases

1. Phase 1 (2024-2025)
   - Optimize current facilities
   - MyKitchen expansion
   - Initial Forager downstream processing

2. Phase 2 (2025-2026)
   - Second vertical farm development
   - Additional MyKitchen processing lines
   - Automation implementation

3. Phase 3 (2026-2027)
   - Full capacity optimization
   - Technology integration
   - Final scale achievements

Financial Summary

- Total Investment Needed 2024-2027: $55MM ($30mm raised in 2024, $20-25mm in 1Q25)
- Revenue Growth: $16MM (2024) to $210MM (2027)
- Operating Expenses: $27M (2025) to $54M (2028)
- Cash Flow Positive: 1Q26

Market Opportunity

- Total Addressable Market: $200B+
- Alternative Proteins: $300MM
- Materials/Leather: $65B
- Agricultural Technology: $40B

Competitive Advantages

- Proprietary AirMycelium™ technology
- 4x lower COGS vs competitors
- 2-3x lower CAPEX requirements
- Strong IP portfolio
- Established retail presence (1000+ locations)
- Vertically integrated production and manufacturing

Capital Requirements

- Current Investment: $55MM needed
- Targets:
    - MyBacon Gross Margin Positive 3Q25
    - Enterprise Cash Flow Positive 3Q26

Conclusion

As the global patent leader in mycelium technology, Ecovative is uniquely positioned to capture a significant share of the $200B+ market opportunity. With $170M+ in capital raised, proven unit economics, and strategic infrastructure investments, the company has established New York State as the worldwide hub for mycelium innovation. Operating from its cutting-edge facilities in Albany County, New York, Ecovative is poised to grow from $16MM to $210MM in revenue by 2029, retaining more than 114 jobs as well as creating over 186 new jobs and cementing the Capital Region's position as the global epicenter of green manufacturing, sustainable materials and food production innovation. This transformative growth demonstrates how New York's legacy of manufacturing innovation continues to shape the future of green technologies and better-for-the-planet consumer products worldwide.

FINANCIALS:
See attached financial information:
2023 – 2022 Consolidated Financial Statement with Notes.
2022 – 2021 Consolidated Financial Statement with Notes.

ECONOMIC IMPACT: Al Tech will be providing a loan to a fast-growing company in Green Island for working capital. Ecovative has increased employment by over 75 positions in the past 2 – 3 years and are projecting an increase of 108 FT and 86 PT positions in the next 3 – 5 years, in Albany County.

Ecovative is being invited to relocate to other communities across the nation and this loan would require them to maintain their Corporate Offices in Green Island for the length of the loan.

STRENGTHS

- Ecovative has been able to successfully raise funds from current and prospective investors.
- Fits the mission of the fund to support growing companies creating and retaining jobs in the County.
- Their MyBacon product is in over 600 retail outlets and growing daily
- Ecovative is working on a product for the fashion industry

WEAKNESS:

- Loan will have no personal guarantees, this will be a first for the loan fund.
- Collateral will be used (but newer) processing and packaging equipment, verse real estate collateral.

OTHER TERMS AND CONDITIONS

- Al Tech to fund at closing

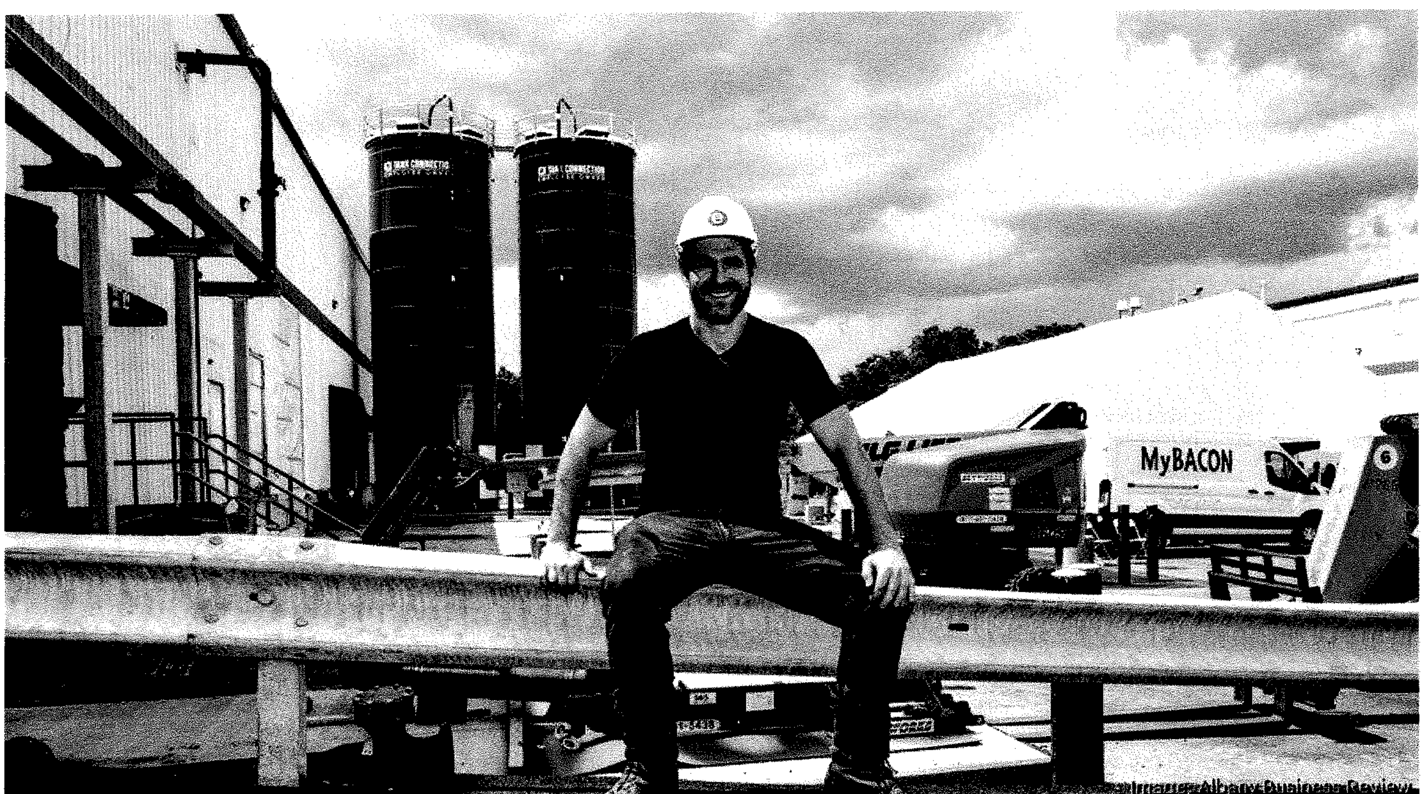
From the Albany Inno:
https://www.bizjournals.com/albany/inno/stories/news/2024/09/24/ecovative-28m-raise-green-island-my-bacon.html

SUBSCRIBER CONTENT:

Food & Lifestyle

Green Island startup raises nearly $30 million — again

Sept 24, 2024



Eben Bayer, CEO of Ecovative, at Swersey Silos in Green Island.

DONNA ABBOTT-VLAHOS | ALBANY BUSINESS REVIEW

By Sam Raudins – Reporter, Albany Business Review
Sep 24, 2024

Listen to this article 3 min

Green Island startup Ecovative Design LLC, the parent company of MyForest Foods, has raised another $28 million just over a year after its last $30 million raise.

In total, the company has raised over $145 million across its funding rounds since its founding in 2007.

Ecovative Design has spent years developing strains of mycelium – the root-like structure of mushrooms – known as AirMycelium that can be used for a range of products.

A strain that closely resembles meat is used to make MyForest Foods' MyBacon product.

Eben Bayer, CEO of Ecovative, said about two-thirds of the funding came from existing investors and the remainder was from new sources. The funding was a growth equity round.

"The kind of investment is again the folks who are investing around the core product thesis in MyBacon – it's organic, it's the fastest selling plant-based meat in North America. Now, people like it. They pay a lot for it. It's going to be a profitable product that makes the planet better," Bayer said.

The focus of the new capital is to further scale MyBacon's production and availability.

The rest of the raise is to help launch the company's mushroom "hides," which are alternatives to animal-based leather and foams.

Those have attracted interest from companies like PVH Corp., which includes brands like Calvin Klein and Tommy Hilfiger, as well as Reformation, Vivobarefoot and Veja.

Bayer said the new funds will help the development of that business, with fashion brands and products planning to launch in the spring.

"A majority of our focus – and capital tends to follow focus – is on MyBacon this fall. We've got a hit the product. We're really just trying to make enough of it at the right price to satisfy everyone and show that we've got a really great, scalable process," Bayer said. "We're doing the same thing in leather. It's just a year behind. We started it later. It's coming to market later, and it will kind of follow in the wake of that bacon launch."

Ecovative is planning more farms to have AirMycelium growing capabilities in 2025. According to the company's announcement, several commercial mushroom farms have expressed interest in joining Ecovative's network of partner growers, representing an additional $100 million in potential capacity.

Ecovative closed its last round in June 2023, a Series E raise of $30 million.

Since then, MyForest Foods has brought on a new CEO, landed its MyBacon product in over 1,000 stores and quadrupled its vegan bacon production space.

Food & Lifestyle

MyForest Foods ramps production of its flagship product

Aug 27, 2024

MyForest Foods has expanded its production capacity in Green Island.

DONNA ABBOTT-VLAHOS | ALBANY BUSINESS REVIEW

By Sam Raudins – Reporter, Albany Business Review
Aug 27, 2024

Listen to this article 3 min

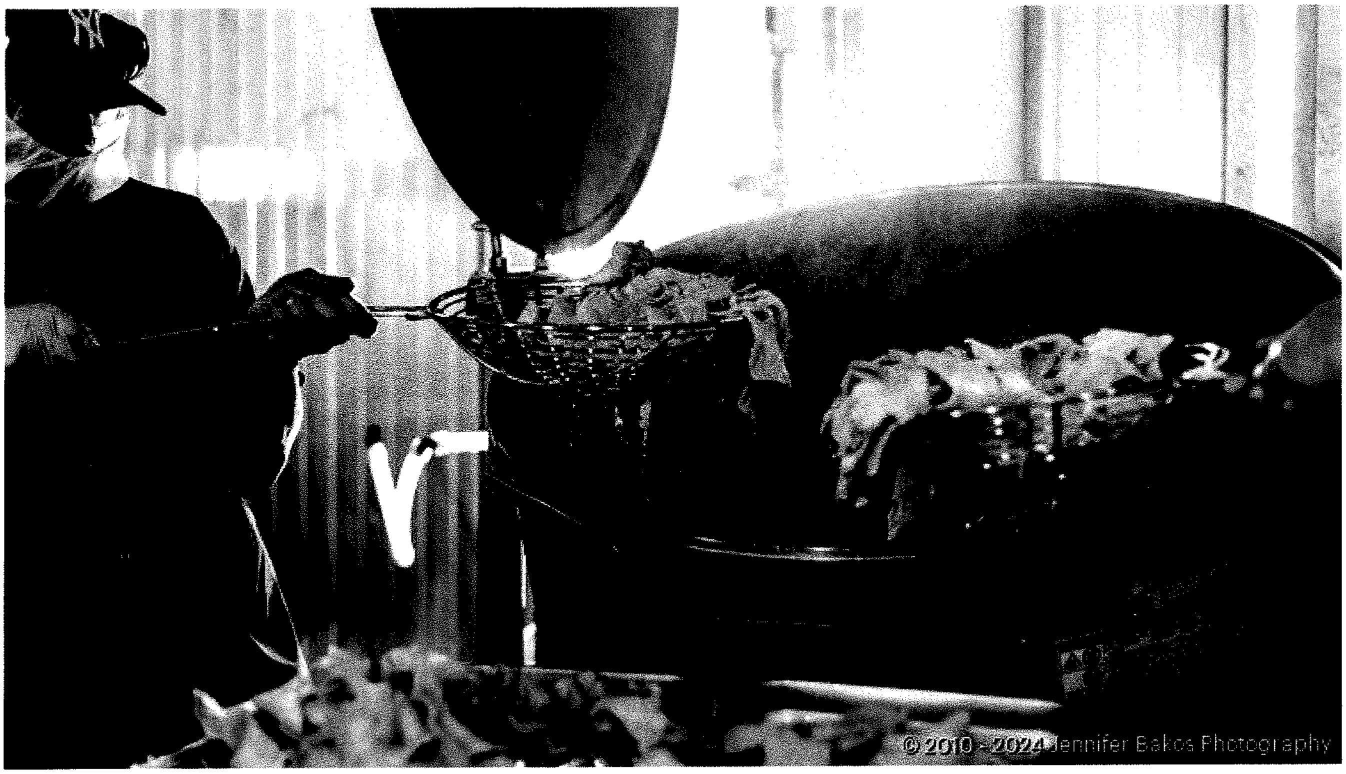
Green Island's MyForest Foods now has its flagship vegan bacon product in 1,000 stores – and the company can't make enough to meet demand.

To change that, MyForest quadrupled the vegan bacon production capacity at its facility on Cohoes Avenue in Green Island this month. The company converted space that had been used by parent company Ecovative to make packaging material.

"Our No. 1 problem is we can't make enough product. We need to make more product," CEO Greg Shewchuck said. "We can sell everything we can make for quite a while, and a lot more than what we can make. Ramping up production is key for us right now. Grow more mycelium, make more bacon."

MyBacon is made from mycelium, the rootlike structure of mushrooms.

MyForest had previously been hand packing the product at a former deli space on Watervliet Avenue. In the new production facility, MyBacon is brined and cooked in the same room where it's packaged by machine.



The mycelium used to make MyBacon is now processed and packaged in the same room.

JENNIFER BAKOS

The goal is to ramp up production to 6,000 cases per week by the end of the year – four times what the company could produce before.

The facility now makes products for over 1,000 stores, including Whole Foods, MOM's Organic Market, Good Eggs, an online grocery service in California, and other natural food retailers. Earlier this year, MyBacon was carried in just 350 locations.

The biggest upgrade was moving from hand packing MyBacon to getting a packaging machine, Jeff Mundt, chief technology officer, said.

"The hand packed thing, it took a lot of people, so this takes less people, but we are making way more bacon, so we still have more people here," Mundt said. "There's a sorting step that we do. There's the drying with the oven and the processing. So we haven't cut jobs, we've actually added jobs, but we just made it super efficient."

Each production shift has 17 employees. In the future, more shifts could be added to increase production.

The new space allows for additional growth over time, as it can accommodate more machinery, Mundt said.

"We can get more output here ... this [packaging machine] will do 600 packs an hour. I could put another one right here," Mundt said. "It's all modular. We can just keep adding pieces of equipment."

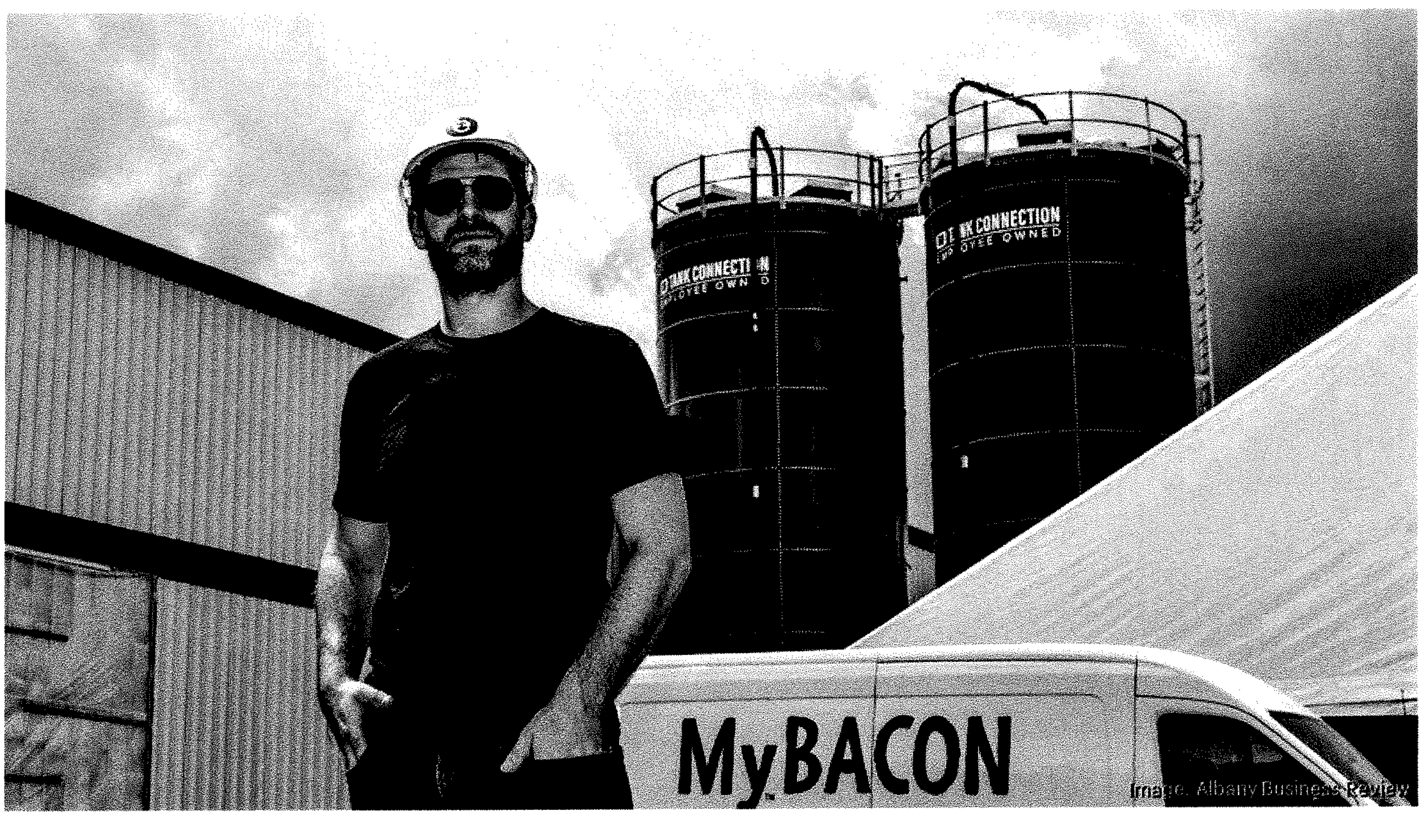
From the Albany Inno:
https://www.bizjournals.com/albany/inno/stories/news/2024/02/12/myforest-whole-foods-mybacon.html

SUBSCRIBER CONTENT:

Food & Lifestyle

MyForest Foods lands shelf space at national supermarket chain

Feb 12, 2024



Eben Bayer, co-founder of MyForest Foods, at the company's Green Island facility.

DONNA ABBOTT-VLAHOS | ALBANY BUSINESS REVIEW

By Sam Raudins – Reporter, Albany Business Review
Feb 12, 2024

Listen to this article 3 min

MyForest Foods Co. now has its flagship product, MyBacon, on shelves at Whole Foods.

The company announced Monday that the vegan bacon product will be carried in Whole Foods stores in the chain's Northeast region, which includes 57 locations in three states: New York, New Jersey and Connecticut.

MyForest has also partnered with another retailer, MOM's Organic Market, which adds availability in Pennsylvania, Washington D.C., Virginia and Maryland.

Now, MyBacon is available in over 350 locations in eight states in the Northeast. In January 2023, MyBacon was for sale at 32 retail and foodservice locations in New York and Massachusetts.

“MyBacon’s increased distribution has been a full team effort," MyForest CEO Greg Shewchuk said in a statement. “From perfecting our farming process to achieving organic certification on our farm-grown mycelium to refining our clean-label recipe, this past year has required hard work, resilience, and dedication. The team is tireless; the results reflect that. We are ready and excited for this critical point in our expansion.”

MyBacon is made with mycelium, the root-like structures of mushrooms, and four other ingredients: salt, organic sugar, organic coconut oil and natural flavors. It was named one of Time's Best Inventions of 2022.

MyBacon is made from the root-like structures of mushrooms.

DONNA ABBOTT-VLAHOS | ALBANY BUSINESS REVIEW

Co-founder Eben Bayer said in a statement that the company's Green Island facility, Swersey Silos, is nearing production capacity, but the company's partner, Whitecrest Innovations in Canada, plans to double MyForest Foods' production this year.

In June, My Forest Foods' parent company, Ecovative, closed a $30 million Series E funding round, half of which was to be reinvested into MyForest Foods Co. to support its effort to expand the availability of MyBacon in stores along the East Coast.

At that time, the company also announced Shewchuk had become chief executive officer. Bayer, the former CEO, remained chairman of the board.

Bayer said at the time that MyForest needed to bring on leadership with experience in marketing and consumer goods as the company moves into more widespread commercial sales.

"Greg was someone where I was like, 'I feel like you can do better than I can and that's what this team deserves, so I'll get out of the way,'" he said.

Shewchuk had most recently served as CEO of the food allergy prevention company SpoonfulONE, which Nestlé acquired in late 2022. He previously held senior leadership positions at Campbell Soup Co., Mead Johnson Nutrition, Mondelēz International, Cadburys Schweppes PLC and Unilever.

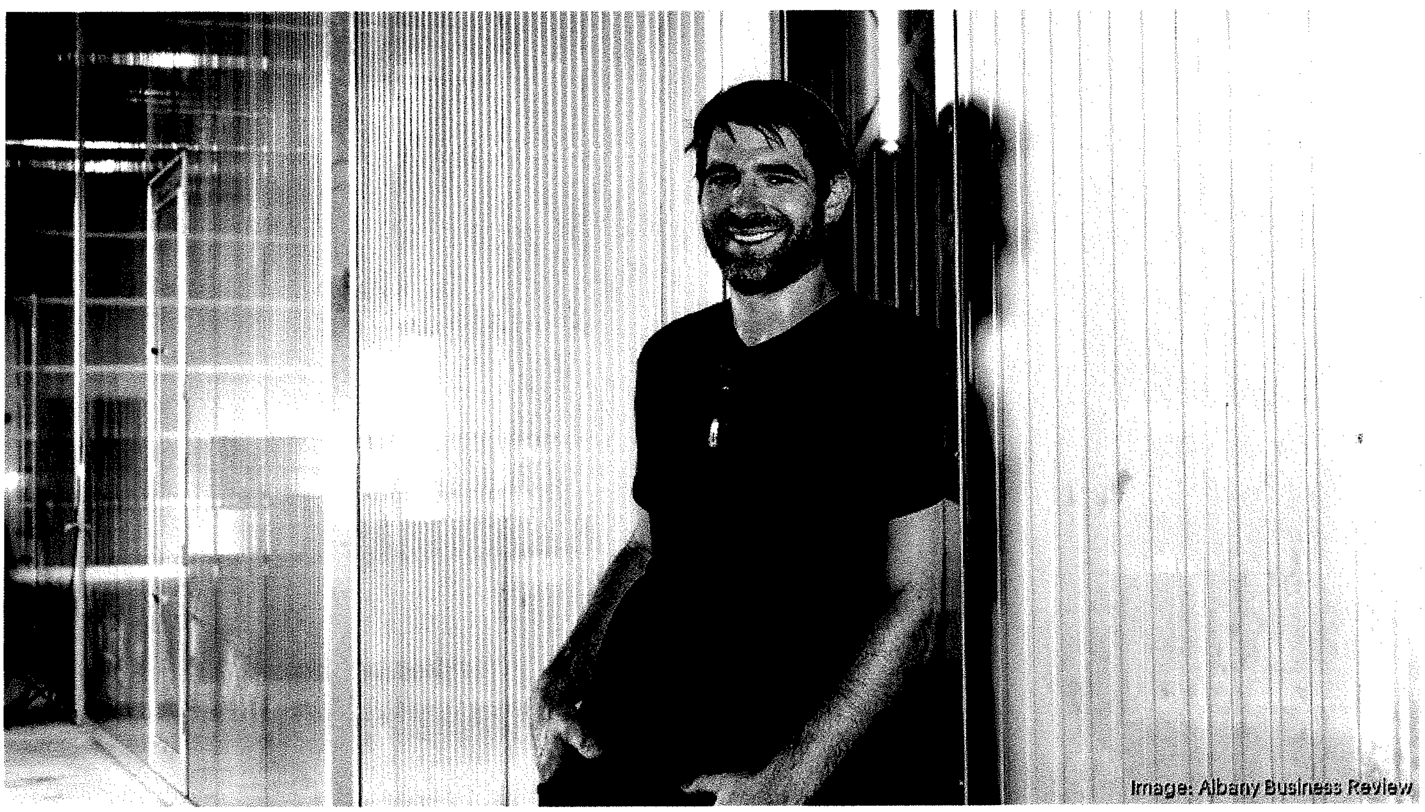
From the Albany Inno:
https://www.bizjournals.com/albany/inno/stories/news/2023/06/06/ecovative-myforest-foods-series-e-raise.html

SUBSCRIBER CONTENT:

Manufacturing

Ecovative raises $30 million in new funding round

June 6, 2023



Eben Bayer, the CEO of Ecovative and co-founder of MyForest Foods, at the company's mycelium production facility in Green Island.

DONNA ABBOTT-VLAHOS | ALBANY BUSINESS REVIEW

By Sam Raudins – Reporter, Albany Business Review
Jun 6, 2023

Listen to this article 5 min

Ecovative Design LLC, the Green Island-based parent company of MyForest Foods, has closed a $30 million funding round.

The company announced the end of its Series E round Tuesday.

Series E is considered the fifth and final fundraising round for startups before they usually go public or exit. In total, the company has raised over $120 million across its funding rounds.

The latest round was led by Viking Global Investors out of Greenwich, Connecticut, and includes Standard Investments, FootPrint Coalition Ventures and AiiM Partners. Citi served as advisors on the transaction.

Ecovative Design has spent years developing strains of mycelium – the root-like structure of mushrooms – that can be used for a range of products. A strain that closely resembles meat is used to make MyForest Foods' MyBacon product.

The funding will support Ecovative's plans to scale its Forager business, which supplies mycelium materials for the fashion and apparel industries to use as leather-like hides and foams.

Half of the raise will be reinvested into MyForest Foods Co. and will support its effort to expand the availability of MyBacon in stores along the East Coast.

Eben Bayer, CEO of Ecovative, said the Series E funding was needed to scale operations. The company's Series D round in 2021 closed at $60 million. That round was also led by Viking Global Investors and supported by AiiM Partners, among other investors.

"This was on our timeline, it's still part of our timeline," Bayer said. "From a business perspective, we are in the process of transforming into a company that's defined by producing lots of product at scale, hopefully with positive cash flow, and we built a bunch of assets to support that over the past two years, raised significant capital two years ago. Most of that went into capital assets. The coming two years are really about operating those at scale and showing this can be done profitably, and from there, hopefully doing it globally."

Those capital investments include the acquisition of an overseas production facility in December and last year's completion of a full commercial mycelium farm in Green Island that includes 120,000 square feet of infrastructure that allows Ecovative to grow 3 million pounds of mycelium.

Though Series E is usually the step before an exit or an initial public offering, Bayer said the next steps for the company could take a variety of shapes.

"Our business goal is to prove that, at scale, this product and our platform works really well in capitalism. And by that, I mean that people love the product and what it does for them and our investors love the company because it spits out profits," he said.

"Then from there, our goal is really to hack capitalism with this kind of business model," he continued. "Scale quickly, and produce factories that produce clean water, clean air, clean soil and great, healthy products. So that can be private, that can be public, there can be other ways to fund that growth. But that's the business goal. And I think that gives us plenty of choices."

New leadership at MyForest

Also announced Tuesday: New leadership for MyForest Foods. Greg Shewchuk has been named its new chief executive officer, effective immediately. Bayer, the company's co-founder and former CEO, will remain chairman of the board and CEO of Ecovative.

Bayer said it was time to bring on leadership with experience in marketing and consumer goods as the company moves into more widespread commercial sales.

"Greg was someone where I was like, 'I feel like you can do better than I can and that's what this team deserves, so I'll get out of the way,'" he said.

Shewchuk most recently served as CEO of the food allergy prevention company SpoonfulONE, which Nestlé acquired in late 2022 – a startup experience Bayer said was attractive. Shewchuk is a member of the board of advisors for Gemic, a global growth strategy firm, a position he has held since 2019. Shewchuk previously held senior leadership positions at Campbell Soup Company, Mead Johnson Nutrition, Mondelēz International, Cadburys Schweppes PLC and Unilever.

"With this new funding and renewed commitment from our investors, my goal is to double down on our marketing and sales functions to take the MyForest Foods brand to the next level," Shewchuk said in a statement.

Ecovative Design LLC

Consolidated Financial Statements

December 31, 2023 and 2022

Ecovative Design LLC

Consolidated Financial Statements

December 31, 2023 and 2022

CONTENTS

Independent Auditor's Report

Members
Ecovative Design LLC
Green Island, New York

Opinion

We have audited the consolidated financial statements of Ecovative Design LLC, and Subsidiary (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations and members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BST + Co. CPAs, LLP

Latham, New York
March 29, 2024

Ecovative Design LLC

Consolidated Balance Sheets

ASSETS	December 31, 2023	December 31, 2022
CURRENT ASSETS		
Cash and cash equivalents	$ 9,578,871	$ 8,307,251
Investments	4,957,588	8,955,883
Accounts receivable, net	2,040,092	348,187
Other receivables	-	277,054
Due from related party, net	575,719	838,574
Inventory	452,199	417,476
Prepaid expenses and other	1,078,075	429,189
Total current assets	18,682,544	19,573,614
PROPERTY AND EQUIPMENT, net	23,158,540	22,380,005
OTHER ASSETS		
Deposits	14,800	14,800
Notes receivable	1,456,968	1,304,828
Operating lease right-of-use asset	7,249,089	8,379,492
Investment in MyForest	12,095,280	-
Intangible assets	533,479	1,225,617
Patents and trademarks, net	2,920,659	2,094,124
	24,270,275	13,018,861
	$ 66,111,359	**$ 54,972,480**

LIABILITIES AND MEMBERS' EQUITY	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 1,227,743	$ 3,317,383
Accrued expenses	1,421,117	1,262,972
Current portion of operating lease liabilities	1,313,259	1,302,197
Other	-	103,626
Customer deposits	600,548	276,202
Total current liabilities	4,562,667	6,262,380
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	6,119,623	7,159,990
COMMITMENTS AND CONTINGENCIES		
MEMBERS' EQUITY	55,429,069	41,550,110
	$ 66,111,359	**$ 54,972,480**

See accompanying Notes to Financial Statements.

Ecovative Design LLC

Consolidated Statements of Operations and Members' Equity

	Years Ended December 31, 2023	2022
REVENUES		
Contract services	$ 9,927,069	$ 5,369,762
Sales, products	3,228,065	623,163
Licensing fees	34,525	269,042
Other	-	15
	13,189,659	6,261,982
EXPENSES		
Manufacturing/cost of sales	3,059,061	289,630
Operating expenses		
Production overhead	5,202,309	923,598
Research and development	1,863,800	5,603,341
Research and development, billable	2,550,130	3,009,604
Sales and marketing	2,427,531	2,119,338
Administration	11,001,831	7,824,066
Depreciation and amortization	3,177,340	978,015
	29,282,002	20,747,592
Loss from operations	**(16,092,343)**	**(14,485,610)**
OTHER INCOME (EXPENSE)		
Investment income, net	36,269	151,585
Interest income	559,969	-
Other	561	-
Translation losses	(15,362)	(77,885)
Equity in net loss - MyForest Co.	(2,903,993)	(2,963,090)
	(2,322,556)	(2,889,390)
NET LOSS	**(18,414,899)**	**(17,375,000)**
MEMBERS' EQUITY, *beginning of year*	41,550,110	57,861,061
Issuance of Class A Units	31,282,927	-
Compensation as a result of granted Class B Units	1,010,931	1,064,049
MEMBERS' EQUITY, *end of year*	**$ 55,429,069**	**$ 41,550,110**

See accompanying Notes to Financial Statements.

Ecovative Design LLC

Consolidated Statements of Cash Flows

	Years Ended December 31, 2023	2022
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Net loss	$ (18,414,899)	$ (17,375,000)
Adjustments to reconcile net loss to net cash and cash equivalents provided (used) by operating activities, net of the effects of the acquisition of Lambert Europa		
Amortization of intangibles	141,740	-
Amortization of patents and trademarks	84,096	74,701
Patents in process written off	2,840	7,102
Depreciation and amortization	2,951,504	903,314
Unrealized gains on investments	(36,269)	(54,245)
Equity in net loss - MyForest	2,903,993	2,963,090
Compensation costs - Class B Units	1,010,931	1,064,049
Foreign currency transaction gains	7,913	24,000
Adjustment to operating lease right-of-use asset	1,130,403	845,337
Accretion of operating lease liability	196,588	103,451
Decrease (increase) in		
Accounts receivable	(1,691,905)	165,129
Due from related party, net	262,855	88,354
Inventory	(34,723)	(130,249)
Prepaid expenses	(648,886)	(156,788)
Accrued interest	(79,226)	(54,000)
Other receivables	13,200	-
Increase (decrease) in		
Accounts payable	(1,804,594)	722,393
Operating lease liability for cash paid	(1,306,720)	(866,093)
Accrued expenses	158,145	396,921
Other	(103,626)	-
Customer deposits	324,346	262,476
	(14,932,294)	**(11,016,058)**
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchase of property and equipment	(3,356,487)	(14,102,626)
Purchases of investments	(16,465,436)	(8,901,638)
Proceeds from the maturities of investments	20,500,000	-
Purchases of MyForest preferred stock	(14,999,273)	-
Advances on notes receivable	-	(1,274,828)
Acquisition of Lambert Europa, net of cash acquired	-	(2,001,901)
Purchase price adjustment related to Lambert Europa	155,654	-
Costs of patents and trademarks	(913,471)	(869,923)
	(15,079,013)	**(27,150,916)**
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from the issuance of Class A units	31,399,055	-
Costs of issuance of Class A units	(116,128)	-
	31,282,927	**-**
Change in cash and cash equivalents	**1,271,620**	**(38,166,974)**
CASH AND CASH EQUIVALENTS, *beginning of year*	8,307,251	46,474,225
CASH AND CASH EQUIVALENTS, *end of year*	**$ 9,578,871**	**$ 8,307,251**
SUPPLEMENTARY CASH FLOW INFORMATION		
Noncash financing activities		
Right-of-use assets obtained in exchange for new operating lease obligations	$ -	$ 3,970,403

See accompanying Notes to Financial Statements.

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

Ecovative Design LLC (Ecovative) is a New York limited liability company organized in May 2007. Ecovative develops and markets bio-based materials for use in a number of industries including alternative meat products, protective packaging materials, animal-free leather, and other products.

Ecovative believes that certain of its bio-based materials require less energy to create, can be grown from diverse regional low-value agricultural feedstocks, and can be composted at the product's end of life without significant processing. Ecovative's technology platform, which is protected by both issued and pending patents, is based around a fast-growing filamentous organism known as fungal mycelium. Fungal mycelium is a living resin which is akin to the root structure of a mushroom, and which can transform low-value agricultural feedstocks, such as corn husks or wood waste, into strong, higher performing and cost-competitive bio-based materials for use in a variety of industries. In addition, Ecovative is developing a mycelium-only biomaterial that it believes is environmentally responsible, will be economically competitive, and will provide equal or better performance than comparable plastic foams.

Ecovative enters into strategic partnerships with third parties to use its mycelium-based technology to develop and market its products in order to accelerate development and commercialization. Such partnerships are typically in the form of development agreements and/or license agreements.

In addition to furthering research and development activities principally related to mycelium-based technology, during the years ended December 31, 2023 and 2022, Ecovative continued to advance certain technology applications and production capabilities.

The Company's activities are subject to significant risks and uncertainties, including failing to secure additional funding to operationalize the Company's current technology before another company develops similar technologies, products, or applications.

b. Consolidation

The consolidated financial statements include the accounts of Ecovative and its wholly owned subsidiary (collectively the Company - Note 2). All significant intercompany transactions and balances are eliminated in consolidation.

c. Basis of Accounting

The Company's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

d. Estimates

The preparation of financial statements in conformity with 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 year. Actual results could differ from those estimates.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Business Combinations

Business combinations are accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, *Business Combinations,* under the acquisition method of accounting. The carrying amounts of the assets acquired and liabilities assumed in an acquisition are adjusted to their acquisition-date estimated fair values as determined by the Company's management based on information currently available and on current assumptions on future operations. The excess of the consideration transferred (i.e., purchase price) over the fair value of the net assets acquired in the acquisition is recognized as goodwill.

The Company has elected the accounting alternative provided in Accounting Standards Update (ASU) 2014-18, *Business Combinations (Topic 805): Accounting for Identifiable Assets in a Business Combination*, which, among other things, provides private companies an alternative to not separately recognize intangible assets associated with customer-related intangibles, unless they are capable of being sold or licensed independently from the other assets of the business and noncompete agreements. Under ASU 2014-18, those intangibles are subsumed into goodwill. Also included in goodwill from a business combination is the subsumed value of certain other intangible assets, such as an assembled and trained workforce, that do not qualify for separate recognition. The fair value of the identifiable net assets acquired is recorded at its estimated fair values, as determined by the Company's management based on information currently available and on current assumptions as to future operations.

The Company adopted the accounting alternatives for amortizing goodwill and for goodwill impairment triggering event evaluation available to private companies. Accordingly, the Company amortizes goodwill on a straight-line basis over 10 years. The Company performs a goodwill impairment triggering event evaluation at the Company level as of the end of each reporting period. When a triggering event occurs, the Company first assesses qualitative factors to determine whether the quantitative impairment test is necessary. If that qualitative assessment indicates that it is more likely than not that goodwill is impaired, the Company performs the quantitative test to compare the Company's fair value with its carrying amount, including goodwill. If the qualitative assessment indicates that it is not more likely than not that goodwill is impaired, further testing is unnecessary. The goodwill impairment loss, if any, represents the excess of the carrying amount of the Company over its fair value. No triggering events occurred as of December 31, 2023 and 2022, that required goodwill impairment testing and, accordingly, no impairment loss was recorded in 2023 and 2022.

f. Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

g. Accounts Receivable

Accounts receivable are carried at original invoice amount, or the amount expected to be invoiced, less any payments applied. Recoveries of accounts receivable previously written off are recorded when received.

Accounts receivable are considered to be past due if any of the balance is outstanding for more than 30 days and up to 60 days if contractually agreed upon. The Company generally does not charge interest for any past due accounts.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. Allowance for Credit Losses and Doubtful Accounts

The Company adopted FASB ASC 326, *Financial Instruments--Credit Losses*, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include trade receivables and non-current receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the financial statements.

Prior to adoption of ASC 326, the Company maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of December 31, 2022, was not material to the financial statements.

i. Inventory

Inventory is reported at the lower cost or net realizable value using the first-in, first-out (FIFO) method.

j. Investments

The Company's investment portfolio consists of U.S. Treasury bills, classified as trading securities. Such fixed income debt securities are reported at fair value, with realized and unrealized gains and losses recognized in earnings. The Company uses the specific identification method to determine the cost of securities sold.

k. Investment in MyForest Food Co.

The Company accounts for its investment in MyForest Food Co. (MyForest) using the equity method of accounting. Under the equity method of accounting, the Company's share of the net earnings or losses of MyForest is recognized through other income (expense) in the Company's statement of operations. The Company's carrying value in MyForest is reflected in the caption "Investment in MyForest" in the accompanying consolidated balance sheet.

When the Company's carrying value in MyForest is reduced to zero, no further losses are recognized in the Company's financial statements unless the Company guarantees obligations or has committed to further funding. When MyForest subsequently reports income, the Company will not record its share of income until it equals the amount of losses not previously recognized.

l. Property and Equipment, Net

Property and equipment are reported at cost, net of accumulated depreciation and amortization. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and/or amortization, and any resultant gain or loss is credited or charged to operations.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

l. Property and Equipment, Net - Continued

Depreciation is provided for in amounts to relate the cost of the assets to operations over their estimated useful lives on a straight-line basis. Amortization is provided for in amounts to relate the cost of the leasehold improvement to operations over its estimated useful life or the lease term, whichever is shorter, on a straight-line basis. Estimated lives used in determining depreciation and amortization vary from three to fifteen years.

m. Patents and Trademarks, Net

Legal costs incurred to apply for and protect patents and trademarks are capitalized. If management believes that a patent and/or trademark application is likely to be denied, previously capitalized costs are charged to expense upon such determination. Costs capitalized are amortized over the estimated useful lives of the patent or trademark, currently 5 to 15 years.

n. Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. No impairment loss was recorded for long-lived assets during the years ended December 31, 2023 and 2022.

o. Leases

The Company determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Company obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Company also considers whether its service arrangements include the right to control the use of an asset.

The Company recognizes most leases on its balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

The Company made an accounting policy election available under FASB ASC Topic 842, *Leases*, not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

o. Leases - Continued

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

The Company has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

p. Revenue Recognition

Revenue is derived from customers and is recognized under a five-step model as follows:

- Identify the contract with a third-party payer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as the performance obligations are satisfied.

The Company's revenue is primarily derived from service agreements, licensing fees and product and product development sales. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the products and/or services to the customer. Transaction prices are set for each performance obligation in the contract. Payment is expected from customers when the performance obligations are satisfied. The Company records accounts receivable when it has the unconditional right to issue an invoice and receive payment.

Contract service fees result from Ecovative providing services to aid MyForest's business and research and development operations. Service fees include interim leadership, contract research and development, contract production, readiness to service and property and equipment utilization.

Revenue related to these services are recognized over time as MyForest consumes the benefits of the services the Company performs. The timing of revenue recognition is based on an input measure, which is based on labor and material costs incurred to date as they relate to the estimated total costs related to the services provided.

MyForest is invoiced based upon the contractual agreement between the parties, which is either monthly or quarterly, depending on the service provided. Ecovative's right to consideration from MyForest directly corresponds to the value received by MyForest from Ecovative's performance completed to date. Therefore, Ecovative recognizes revenue related to service fees using the right-to-invoice practical expedient, which allows it to recognize revenue in the amount invoiced based on the material costs and number of hours worked and the agreed-upon hourly rates.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

p. Revenue Recognition - Continued

Licensing Fees: Licensing fees result from the licensing of intellectual property rights within a specified field of use. Licensing agreements typically include non-refundable upfront fees and payments based upon achievement of sales-based milestones or royalties on net product sales in the case of licenses to be used in manufacturing. Non-refundable upfront fees are considered fixed, while milestone payments and royalties are identified as variable consideration.

Licenses of the intellectual property are considered to provide the customer with a right to use the intellectual property with significant standalone functionality. Because the license is for functional intellectual property, revenue generally is recognized at the point in time when the Company transfers control of the license. Therefore, revenue is recognized from non-refundable, up-front fees when the license is transferred to the customer, and the customer can use and benefit from the license. Under arrangements that include sales-based royalties, including milestone payments based on the level of sales, the license is deemed to be the predominant item to which the royalties relate, and revenue is recognized when the related sales occur.

Product and Product Development Sales: Product and product development sales are derived from the manufacturing and sale of products as well as the performance of research for the enhancement of its intellectual property technology licensed to customers.

Revenue from product sales is recognized when control of the product transfers, generally upon shipment to the customer. Shipping and handling activities related to contracts with customers are considered costs to fulfill the promise to transfer the associated product and not as a separate performance obligation.

Revenue from product development sales is recognized as the research is performed.

Revenues from licensing fees, product sales, and product development sales depend on demand for the Company’s products and technologies. Scientific advancements and changes in technology can significantly change the usefulness of the Company’s products and may significantly impact revenues.

Amounts received but not yet earned, if any, are reported as customer deposits.

The Company’s contract asset, accounts receivable, net, was approximately $177,000 at January 1, 2022. Customer deposits at January 1, 2022 were $13,700.

The Company’s may be required to collect, on behalf of certain taxing authorities, sales and use taxes based on a percentage of qualifying sales. The Company’s policy is to exclude such taxes from the transaction price of all revenue when collected, and from expenses when paid. The Company records amounts collected as a current liability and relieves such liability upon remittance to the taxing authority without impacting revenues or expenses.

q. Grant Revenue

When applicable, revenues from grants are recognized according to the specific agreement. Generally, revenue from grants are considered non-exchange transactions. Grant revenue is recognized when conditions that are specific to each grant agreement are overcome, which is largely to the extent of projected expenses incurred.

r. Research and Development

Research and development costs are expensed as incurred.

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

s. Income Taxes

The Company is treated as a partnership for income tax purposes and, therefore, incurs no federal or state income tax liability. The Company's taxable income or loss is allocated among the members in accordance with the Limited Liability Company Agreement (See Note 8a).

When income tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Management has evaluated tax positions taken and has concluded that there are no material tax positions that required adjustment in its financial statements as of December 31, 2023 and 2022.

t. Advertising Costs

Advertising costs are expensed when incurred and totaled approximately $23,200 and $13,000 for the years ended December 31, 2023 and 2022, respectively.

u. Shipping and Handling

Shipping and handling costs are included in manufacturing/cost of sales and other operating expense categories and totaled approximately $627,200 and $279,900 for the years ended December 31, 2023 and 2022, respectively.

v. Subsequent Events

Subsequent events have been evaluated for potential recognition or disclosure through March 29, 2024, the date the financial statements were available to be issued.

Note 2 - Acquisition of Lambert Spawn Europa B.V.

In December 2022, Ecovative entered into a Share Sale and Purchase Agreement (Agreement) to acquire all of the issued shares of Lambert Spawn Europa B.V. (Ecovative Spawn and Substrate), a manufacturer of mushroom spawn located in the Netherlands for approximately $3.4M, subject to adjustment.

The Agreement provided for, among others: a purchase price adjustment based upon a specified amount of working capital to be delivered at closing, transition support, non-competition periods and a perpetual license agreement. Contingent consideration, payable upon the achievement of a specified level of spawn production over a two-year period, is not material.

Operations of Ecovative Spawn and Substrate are consolidated within the accounts of the Company as of the acquisition date.

Note 2 - Acquisition and Lambert Spawn Europa - Continued

Details of the acquisition of Ecovative Spawn and Substrate at December 1, 2022 were as follows:

Consideration	
Amount settled in cash	$ 2,007,000
Liabilities assumed	1,347,000
Fair value of consideration transferred	$ 3,354,000
Recognized amounts of identifiable net assets	
Receivables	$ 350,000
Inventories	267,000
Other	120,000
Property and equipment	1,127,000
Intangible assets and goodwill	1,226,000
	3,090,000
Working capital adjustment due from seller	264,000
	$ 3,354,000

Assets acquired in the combination were initially based upon provisional amounts as fair values of property and equipment, customer relationships, and license agreements had not been determined or finalized. Adjustments to provisional amounts initially recognized in 2022 were not material in 2023.

Amortization of provisional amounts allocated to long-term assets and intangibles during 2022 was not material.

Note 3 - Investment in and Transactions with MyForest Foods Co.

MyForest was initially established as a wholly-owned subsidiary of the Company in March 2020. Concurrent with the sale of preferred stock by MyForest in May 2021, the Company's interest in MyForest was reduced to a less than controlling interest and MyForest was deconsolidated.

During 2023, Ecovative purchased substantially all of a new series of preferred stock issued by MyForest. Subsequent to year end, the Company purchased additional shares of the preferred stock at an aggregate purchase price of approximately $3,500,000.

In addition to its investment, the Company is a party to agreements with MyForest further described below.

a. Service and License Agreement

Pursuant to a service and licensing agreement, Ecovative provides certain services to support MyForest's business operations and research and development efforts. Further, Ecovative agreed to license and assign certain IP rights in the field of food products for consumption by humans as well as cell cultures for human food products using the Company's' mycelium technology to MyForest, as outlined in the agreement. The agreement may be terminated upon mutual consent of Ecovative and MyForest.

Note 3 - Investment in and Transactions with MyForest Foods Co. - Continued

a. Service and License Agreement - Continued

Services under the agreement are rendered in accordance with statements of work agreed to by Ecovative and MyForest.

Ecovative earned approximately $5,196,100 and $5,300,000 during 2023 and 2022, respectively, pursuant to the services portion of the agreement.

b. Substrate Supply Agreement

During 2023, the Company entered into a substrate supply agreement with MyForest. Pursuant to the agreement, Ecovative supplies substrate for the production of mycelium materials for MyForest to produce mycelium-based food products. The agreement may be terminated upon mutual consent of the Company and MyForest.

Sales to MyForest under the supply agreement approximated $189,700 during the year ended December 31, 2023.

c. Due from Related Party, Net

Amounts due from MyForest at December 31, 2023 and 2022 represent amounts billed to MyForest under the agreements, net of amounts due to MyForest incurred in the ordinary course of business.

d. Lease Agreement

The Company leases a portion of a building from MyForest. Lease expense approximated $381,500 in each of the years ended December 31, 2023 and 2022.

e. Condensed Financial Information

Condensed financial information of MyForest is as follows:

	December 31,	
Assets	2023	2022
Current assets	$ 5,946,000	$ 16,870,000
Property and equipment, net	25,089,000	21,570,000
Other	7,330,000	8,307,000
	$ 38,365,000	$ 46,747,000
Liabilities and Stockholders' Equity		
Current liabilities	$ 7,992,000	$ 6,307,000
Long-term liabilities	10,490,000	17,732,000
	18,482,000	24,039,000
Stockholders' equity	19,883,000	22,708,000
	$ 38,365,000	$ 46,747,000

Note 3 - Investment in and Transactions with MyForest Foods Co. - Continued

b. Condensed Financial Information - Continued

	For the Year Ended December 31, 2023	2022
Revenues	$ 175,000	$ 27,000
Operating expenses	16,057,000	11,280,000
Other expenses, net	2,259,000	1,567,000
Net loss	$ 18,141,000	$ 12,820,000

Note 4 - Property and Equipment, Net

A summary of the Company's property and equipment, net, is as follows:

	December 31, 2023	2022
Production equipment	$ 2,398,953	$ 2,483,408
Leasehold improvements	13,401,739	1,360,913
Furniture and fixtures	14,800,295	6,947,853
Software	142,513	142,513
	30,743,500	10,934,687
Less accumulated depreciation and amortization	7,584,960	4,632,843
	23,158,540	6,301,844
Work-in-progress	-	16,078,161
Property and equipment, net	$ 23,158,540	$ 22,380,005

Depreciation and amortization expense totaled approximately $2,951,600 and $903,300 for the years ended December 31, 2023 and 2022, respectively.

Note 5 - Patents and Trademarks, Net

A summary of the Company's patents and trademarks, net, is as follows:

	December 31, 2023	2022
Patents and trademarks issued	$ 1,143,615	$ 1,130,718
Less accumulated amortization on patents and trademarks issued	425,166	341,070
	718,449	789,648
Patents and trademarks in process	2,202,210	1,304,476
Patents and trademarks, net	$ 2,920,659	$ 2,094,124

Note 5 - Patents and Trademarks, Net - Continued

Amortization of patents and trademarks totaled approximately $84,100 and $74,700 for the years ended December 31, 2023 and 2022, respectively. Amortization expense over the next five years will range from approximately $60,000 to $84,000 per year, based on the patents and trademarks issued as of December 31, 2023.

Note 6 - Investments and Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. U.S. GAAP provides a framework for measuring fair value that includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The following three levels of inputs may be used to measure fair value:

Level 1 Unadjusted quoted market prices in active markets for identical assets.

Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.

Level 3 Unobservable inputs that are supported by little or no market activity.

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

- *Debt Securities*: Valued based on observable prices for the particular security, or when prices are not observable, the valuation is based on prices of comparable bonds or the present value of expected future cash flows. Debt securities are a Level 2 measurement.

Note 7 - Notes Receivable

Notes receivable represent amounts due under convertible redeemable notes issued to the Company during 2022 by a third-party licensee. The unsecured notes, in the aggregate principal amount of approximately $1,320,000, are repayable to the Company in May 2026 and accrue interest at 6%. The notes may be converted, at the Company’s option upon certain triggering events, into ordinary shares of the maker. Accrued interest on the notes through December 31, 2023 approximates $137,000.

Note 8 - Members’ Equity

a. LLC Agreement

Operations of the Company are governed by the Tenth Amended and Restated Limited Liability Company Agreement (Agreement) dated May 31, 2023. Among others, the Agreement provides for member capital contributions and units, allocations of profits and losses, liquidation preferences, distributions, transfers of units and withdrawals of members.

Note 8 - Members' Equity - Continued

b. Membership Units

The Agreement provides for the issuance of Class A and Class B Units. The respective rights, preferences, and privileges of each class are defined within the Agreement. Holders of Class A Units are entitled to first and second priority liquidation preferences as defined in the Agreement.

During 2023, the Company issued 158,223 Class A Units for approximately $31,400,000. Costs of issuance approximated $116,000. 1,027,475 and 863,250 Class A units are outstanding at December 31, 2023 and 2022, respectively. Purchasers of Class A units in 2023 received warrants to purchase approximately 79,111 additional Class A units through May 2033 for a nominal amount.

c. Amended and Restated 2020 Units Inventive Plan - Class B Units

The Company maintains the Amended and Restated 2020 Units Incentive Plan - Class B Units (Incentive Plan) which is limited to members of the Board of Directors of the Company, employees, and consultants and advisors to the Company. The Incentive Plan terminates in March 2030. The Board of Directors of the Company has delegated administration of the Incentive Plan to the Company's Chief Executive Officer. 216,972 Class B Units are authorized under the Award Agreement.

Class B Units granted to members of the Company's Board of Directors vest immediately. Class B Units granted to employees and consultants vest equally at the annual anniversary of the date of grant over a four-year period. If the holder of Class B Units ceases employment, or a consulting relationship ends, prior to the vesting dates, the remaining unvested units are forfeited.

The fair value of the Class B Units is determined using the Black-Scholes model, which considers the Company's Class A Unit price, the ten-year Treasury rate, volatility, and maturity (vested and unvested Class B Units) at the time of the grant.

Compensation costs with respect to Class B Units awarded during 2023 and 2022 were determined using the following considerations:

	For the Year Ended December 31,	
	2023	2022
Expected volatility	10.98% - 49.94%	14.22% - 65.05%
Weighted-average volatility	25.20%	17.92%
Expected dividends	-	-
Expected term (in years)	10	10
Risk-free rate	4.12%	2.80%

Note 8 - Members' Equity - Continued

c. Amended and Restated 2020 Units Inventive Plan - Class B Units - Continued

A summary of Class B Units and activity during 2023 and 2022 is as follows:

	Units	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Grants outstanding, December 31, 2021	102,114	41.73	
Granted	22,395	65.24	
Forfeited	(1,134)	42.78	
Grants outstanding, December 31, 2022	123,375	45.91	
Vested, December 31, 2022	102,262	42.85	$ 4,382,373
Grants outstanding, December 31, 2022	123,375	45.91	
Granted	39,789	58.60	
Forfeited	(860)	22.61	
Grants outstanding, December 31, 2023	162,304	47.40	
Vested, December 31, 2023	120,189	43.07	$ 5,176,199

A summary of non-vested Class B Units activity and changes during the years then ended is as follows:

	Units	Weighted Average Grant Date Fair Value
Nonvested, December 31, 2021	17,398	$ 53.98
Granted	22,395	65.24
Vested	(17,543)	60.65
Forfeited	(1,134)	62.92
Nonvested, December 31, 2022	21,116	58.52
Granted	39,789	58.60
Vested	(17,920)	60.65
Forfeited	(860)	62.92
Nonvested, December 31, 2023	42,125	$ 57.97

The Company has approximately $2,518,000 of unrecognized compensation expense related to non-vested Class B Units granted under the Award Agreement at December 31, 2023. The total value of the Class B Units vested and recorded as compensation expense was approximately $1,011,000 and $1,064,000 for the years ended December 31, 2023 and 2022, respectively classified within "Administration Expenses" on the consolidated statements of operations and members' equity.

Note 8 - Members' Equity - Continued

c. Amended and Restated 2020 Units Inventive Plan - Class B Units - Continued

A summary of the future unrecognized compensation expense related to the non-vested Class B Units is as follows:

For the year ending December 31,	
2024	$ 894,000
2025	774,000
2026	585,000
2027	265,000
	$ 2,518,000

Note 9 - Life Insurance Policies

The Company maintains term life insurance policies on two officers, each with an aggregate death benefit of $2,000,000.

Note 10 - Profit Sharing Plan

The Company sponsors a profit sharing/401(k) plan (Plan) which covers employees who meet certain eligibility requirements. Participating employees may make pre-tax contributions to their 401(k) accounts, via salary deferrals, up to limits prescribed in the Internal Revenue Code. In addition, the Company may make matching and discretionary profit sharing contributions to the Plan, as determined annually by the Board of Directors. The Company's matching contributions to the Plan approximated $341,000 and $255,000 for the years ended December 31, 2023 and 2022, respectively.

Note 11 - Commitments and Contingencies

a. Operating Leases

The Company leases real estate under operating lease agreements that have terms ranging from March 2027 to December 2032. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term up to five years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option.

The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees. The Company also leases a portion of the building from MyForest (Note 3). The Company is responsible for its proportionate share of rent, real estate taxes, insurance, and operating costs, based upon square footage utilized by the Company.

Note 11 - Commitments and Contingencies - Continued

a. Operating Leases - Continued

The weighted-average remaining lease term for operating leases and the weighted-average discount rate for operating leases are as follows:

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term:	6.58 years	7.46 years
Weighted-average discount rate:	2.46%	2.42%

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows:

	December 31, 2023	December 31, 2022
Operating lease cost	$ 1,319,152	$ 940,373
Variable lease cost	14,189	36,745
Short-term lease cost	12,000	11,606
	$ 1,345,341	$ 988,724

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2023:

For the year ending December 31,	
2024	$ 1,313,259
2025	1,333,170
2026	1,342,614
2027	1,203,021
2028	1,157,646
Thereafter	1,750,212
Total lease payments	8,099,922
Less imputed interest	(667,040)
Total present value of lease payments	7,432,882
Current portion of operating lease liabilities	(1,313,259)
Noncurrent portion of operating lease liabilities	$ 6,119,623

b. Rensselaer Polytechnic Institute

The Company was a party to a license agreement with Rensselaer Polytechnic Institute (RPI), in connection with inventions of two of Ecovative's members and co-founders. The agreement allowed Ecovative to make, import, use, offer for sale, and sell licensed products incorporating such inventions in any field of use and on a worldwide basis. The agreement also provided for the right to grant sublicenses.

Note 11 - Commitments and Contingencies - Continued

b. Rensselaer Polytechnic Institute - Continued

Under the terms of the agreement, Ecovative was required to pay a guaranteed minimum annual royalty of $5,000 per year until the patent claims under the agreement expired (originally approximately 20 years from the date the patent was filed, December 2007) under certain conditions as outlined in the agreement. The agreement also required Ecovative to pay RPI a royalty of 1.5% of net product sales that used inventions granted under the agreement, and 15% of sublicensing revenue generated by licensed products, both of which are offset against the annual minimum royalty payment. Ecovative's royalties arising from product sales under the license agreement, as well as royalties on sublicensing revenue, did not result in royalty payments that exceed the minimum annual royalty amount.

During 2023, Ecovative paid $55,000 in an exchange for a release from obligations arising from the license agreement and terminated the agreement.

c. New York State Energy Research and Development Authority

Ecovative has entered into various license agreements with the New York State Energy Research and Development Authority (NYSERDA) in connection with various grant contracts received by Ecovative. The agreements require Ecovative to pay NYSERDA 1.5% of net sales of products sold in New York State and 5% of net sales of products sold outside of New York State that use the inventions granted under the grant contracts. These license agreements expire at various times through 2031. Royalty fees paid by Ecovative associated with these agreements were not material during the years ended December 31, 2023 and 2022.

d. Regulatory Compliance

Ecovative is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from grants. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources. Compliance with such laws and regulations can be subject to future governmental review and interpretations as well as regulatory actions unknown or unasserted at this time.

Note 12 - Risks, Concentrations and Uncertainties

Concentration of Credit Risk

The Company maintains its cash balances at several financial institutions. Accounts at these institutions are insured, up to certain limits, by the Federal Deposit Insurance Corporation (FDIC). At times, the Company has bank deposits in excess of the amounts insured by the FDIC.

Ecovative Design, LLC

Consolidated Schedule of Operating Expenses

	Year Ended December 31, 2023					
	Production Overhead	Research and Development	Research and Development - Billable	Sales and Marketing	Administration	Total
Payroll expenses	$ 2,661,913	$ 1,231,762	$ 1,509,511	$ 1,314,526	$ 5,245,067	$ 11,962,779
Payroll taxes and related benefits	240,937	259,961	116,466	134,228	1,820,753	2,572,345
Advertising	-	-	-	22,769	389	23,158
Conferences and sponsorships	758	-	-	125,503	3,100	129,361
Equipment rental	88,483	4,680	20,253	22,354	69,781	205,551
Insurance	-	-	-	-	178,372	178,372
Memberships, dues, and subscriptions	32,765	9,364	6,351	95,478	461,513	605,471
Miscellaneous	72,414	-	7,954	1,488	62,792	144,648
Outside services	107,974	35,683	342,468	21,366	71,049	578,540
Patent and trademark expenses	-	-	-	-	96,874	96,874
Professional development	24,119	6,708	-	2,244	5,210	38,281
Professional services	58,785	26,483	41,238	225,211	670,279	1,021,996
Recruiting	-	-	-	-	2,720	2,720
Rent	156,593	754	-	-	1,188,094	1,345,441
Repairs and maintenance	138,215	10,429	46,708	2,806	220,857	419,015
Repairs and maintenance, equipment	125,473	15,589	60,578	1,905	109,202	312,747
Royalty fee	-	-	-	-	109,954	109,954
Shipping	283,362	12,849	28,408	45,270	41,755	411,644
Supplies	971,073	243,831	358,772	154,831	164,542	1,893,049
Supplies, safety	80,890	1,358	3,669	167	37,688	123,772
Telephone, computer, and internet	-	-	-	59	10	69
Travel, meals, and meetings	33,521	4,349	7,754	256,006	153,870	455,500
Utilities	125,034	-	-	1,320	287,960	414,314
	$ 5,202,309	**$ 1,863,800**	**$ 2,550,130**	**$ 2,427,531**	**$ 11,001,831**	**$ 23,045,601**

See Independent Auditor's Report.

Ecovative Design, LLC

Consolidated Schedule of Operating Expenses

	Year Ended December 31, 2022					
	Production Overhead	Research and Development	Research and Development - Billable	Sales and Marketing	Administration	Total
Payroll expenses	$ 513,153	$ 3,567,727	$ 1,390,223	$ 1,096,621	$ 3,446,964	$ 10,014,688
Payroll taxes and related benefits	111,539	775,481	302,179	238,362	749,233	2,176,794
Lambert Europa expenses	126,970	-	-	-	84,647	211,617
Advertising	-	-	-	10,496	2,265	12,761
Conferences and sponsorships	-	-	-	104,425	-	104,425
Equipment rental	22,045	22,585	-	3,763	67,363	115,756
Insurance	-	-	-	-	147,064	147,064
Memberships, dues, and subscriptions	-	55,725	3,826	38,913	143,167	241,631
Miscellaneous	-	1,401	1,151	35,723	26,906	65,181
Outside services	10,058	140,287	351,203	257	117,914	619,719
Outside services, grants	-	-	74,703	-	-	74,703
Outside services, safety	-	-	-	-	220	220
Patent and trademark expenses	-	-	-	-	174,325	174,325
Professional development	1,676	47,856	558	2,970	22,328	75,388
Professional services	2,128	63,399	20,669	357,390	816,289	1,259,875
Recruiting	-	-	-	-	61,484	61,484
Rent	-	6,886	-	-	939,543	946,429
Repairs and maintenance	974	34,574	36,178	-	145,945	217,671
Repairs and maintenance, equipment	4,734	125,254	6,830	-	98,850	235,668
Shipping	17,058	14,097	211,013	11,192	26,069	279,429
Supplies	104,496	558,743	597,374	67,667	240,197	1,568,477
Supplies, safety	2,241	111,410	3,436	1,558	15,844	134,489
Telephone, computer, and internet	4,043	40,368	3,866	26,071	271,027	345,375
Travel, meals, and meetings	2,483	37,548	5,822	123,930	105,950	275,733
Utilities	-	-	573	-	120,472	121,045
	$ 923,598	**$ 5,603,341**	**$ 3,009,604**	**$ 2,119,338**	**$ 7,824,066**	**$ 19,479,947**

See Independent Auditor's Report.

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
BOARD OF DIRECTORS

RESOLUTION

APPROVING ECOVATIVE, LLC LOAN APPLICATION

WHEREAS, Albany County Business Development Corporation ("**ACBDC**") administers a revolving business loan fund for the purpose of creating and retaining jobs in Albany County; and

WHEREAS, the staff of the Advance Albany County Alliance Local Development Corporation (the "**Alliance**"), as agents of ACBDC, has reviewed and recommended approval of a loan application from Ecovative, LLC to provide working capital for increased staffing (the "**Loan Application**"); and

WHEREAS, the material terms of the ACBDC loan recommended to be provided on the basis of the Loan Application (the "**Loan**") would be as follows:

Borrower:	Ecovative, LLC
Principal Amount:	$1,000,000.00
Interest Rate:	4%
Term:	5-year term, 5-year amortization.
Guaranty:	Unlimited corporate guaranty of MyForest Foods, LLC
Collateral:	First priority security interest in specific commercial kitchen, manufacturing and production equipment with a purchase price not less than $3,000,000.00 satisfactory to the Alliance Director of Commercial Lending (as agent of ACBDC).

NOW, THEREFORE, BE IT RESOLVED, that the Loan Application is hereby conditionally approved, subject to completion of all standard requirements of ACBDC and satisfaction of all conditions precedent normally applicable to ACBDC business loans and all conditions which legal counsel for ACBDC deems reasonably appropriate to the circumstances; and be it further

RESOLVED, that upon satisfaction of all of the aforesaid requirements and conditions, ACBDC is authorized to close and fund the Loan, including execution by appropriate official of Alliance, as agent of ACBDC, of all documents required to be executed in connection therewith.

AL TECH LOAN FUND - MATURITY EXTENSION REQUEST

Company:	**Northeast Pest Control, Inc. (1160 Broadway, LLC as co-borrower)**	
Operating Company:	**Northeast Pest Control, Inc.**	**Account #: ALT615111**

Address:	1160 Broadway	**Disbursed:**	12.19.2014
	Albany, NY 12204	**Amount:**	$115,000.00
Phone:	(518) 783-0068	**Maturity:**	1.1.2025
Contact Name:	Mr. Kevin Regan	**Interest Rate:**	2.44%
		Repayment Terms:	$763.56/mo. P & I

Principal Balance for Renewal:	**$45,578.16**
Proposed Renewal Terms:	**60-month term and amortization**
Proposed Interest Rate (75% of WSJ Prime):	**4.00%**
Proposed Renewal Repayment:	**Not to exceed $839.39/month**

Collateral:
1st mortgage on the property at 1160 Broadway, Albany, NY.

Business Description:
A family-owned and operated pest control management firm serving the Capital Region for over 30 years. The business also has a repair/light construction arm for residential pest abatement.

Use of Loan Proceeds:
Purchase of property for relocation of business, creating better operating efficiencies, parking for service vehicles, and secure storage of materials/chemicals.

2024 Site Review Info:

Conducted By:	Kevin Catalano	**Visit Date:**	10.30.2024
Principal Balance as of Date of Review:	$46,244.06	**Repayment Experience:**	Paid as agreed
Violations:	None		

Financial Information:
Summary of 1120 Corporate Returns prepared by Cusack & Company CPAs, LLC, 2020 - 2023. SEE ATTACHED

Financial Analysis:
The company consistently performs in the $1.7-1.9 million range for annual sales. 2023 saw an increase in revenue, as the owner invested close to $60,000 annually in advertising leading to a 17% increase in revenues and a positive change in revenue of over $1.6 million. The business operations have produced positive cash flow since 2020.

The pest control industry remains highly competitive with few barriers to entry and many smaller companies launching in the region each year. To better position the business, Northeast has moved into a new relationship with an ad placement firm and their best returns have been realized from a pay-per-click campaign. This advertising is heaviest in the spring and early summer months when residential consumer searches are at peak levels. The company continues to run some TV and print advertising as well.

The biggest challenge that continues to face the business right now is finding service technicians. The company is currently running with 19 employees. The owner is considering trying a paid apprenticeship program to try and retain entry-level applicants. The financials continue to show all employees as a "leased employee" expense. This is because their insurer for worker's comp, Applied Underwriters, requires all employees paid under their own payroll and then leased back to the customer company in order to write the WC policy.

Condition of Physical Collateral:
(Staff Observation): Physical collateral (building) appears to be in good condition as all updates and façade improvements are approximately 7 – 10 years old. The owner continues to invest in the property making exterior renovations and improvements including new loading ramp and security gate. The property was most appraised at the time of closing in 2014 at a value of $155,000.

The property is approximately 2,636 Sq Ft on 0.175 ac with a fenced yard in front for parking and company vehicles, updated in 2014. Loan to value would be estimated under 25%.

Employment:
19 FTE employees at this time.

Employment goals met: why/why not:
No. An increase in sales volume has not warranted the expansion of staff as owner initially expected. Business has been able to maintain sales revenue without much increase in their labor force. It should be noted that the owners will utilize subcontractors to assist with some renovations and repairs for client's light construction/residential repair work. All Pests Control is provided by Northeast Pest Control.

Notes:

Northeast Pest Control	2023	2022	2021
Sales	2,144,083	1,829,683	1,837,804
COGS	110,405	119,937	169,651
Gross Profit	2,033,678	1,709,746	1,668,153
Net Gain / Loss		-11,119	
other income	6,061	148	3,992
Total Income	2,039,739	1,698,775	1,672,145
Operating Expenses			
Officer Salaries			
Salaries and Wages			
Repairs and Maintenance	4,663	6,212	4,233
Bad Debts			
Rents	104,348	99,635	139,502
Taxes / Licenses	2,516	1,500	1,500
Interest	34,228	21,903	11,254
chartable Contributions	264		
Depreciation	51,823	47,151	18,929
Advertising	186,082	128,299	121,278
Pension			
Employee Benefits	33,384	18,933	39,252
Other Deductions	1,617,235	1,375,142	1,336,197
Total Operating Expenses	2,034,543	1,698,775	1,672,145
Ordinary Business Income	5,196	0	0
Net Income	5,196	0	0
Depreciation	51,823	47,151	18,929
Interest	34,228	21,903	11,254
Total CF	91,247	69,054	30,183

	2023	2022	2021
Gross rents	38,488	32,487	52,022
Advertising			
Auto and Travel			
Cleaning and Maintenance			
Legal and Professional Fees			
Interest	2,029	2,295	2,553
Repairs			
Taxes	2,250	2,258	2,298
Utilities			
Depreciation	3,346	3,346	3,347
Other Expenses	263	254	249
Total Expenses	7,888	8,153	8,447
NOI	30,600	24,334	43,575
Cash Flow			
Net Income	30,600	24,334	43,575
Depreciation	3,346	3,346	3,347
Interest	2,029	2,295	2,553
Total Cash Flow	35,975	29,975	49,475
ACBDC Debt	10,072	10,072	10,072
Total Debt Service	10,072	10,072	10,072
DSCR	3.57	2.98	4.91

ALBANY COUNTY BUSINESS DEVELOPMENT CORPORATION
BOARD OF DIRECTORS

RESOLUTION

APPROVING LOAN EXTENSION AND MODIFICATION – NORTHEAST PEST CONTROL, INC. AND 1160 BROADWAY, LLC

WHEREAS, Albany County Business Development Corporation ("**ACBDC**") administers a revolving business loan fund for the purpose of creating and retaining jobs in Albany County; and

WHEREAS, ACBDC previously closed a loan to Northeast Pest Control, Inc. and 1160 Broadway, LLC (as co-borrowers) in the amount of $115,000**,** the outstanding principal balance of which is $46,244.06, which loan matures on January 1, 2025 (the "**Prior Loan**"); and

WHEREAS, the Prior Loan is performing, and the staff of the Advance Albany County Alliance Local Development Corporation (the "**Alliance**"), as agents of ACBDC, has received and reviewed a request for an extension of the Prior Loan (the "**Loan Extension Request**"), and has recommended approval of the same; and

WHEREAS, the borrower, guarantor and collateral arrangements for the Prior Loan would remain in effect, subject to a change in the repayment terms as follows:

Principal Amount:	Actual balance at closing not to exceed $45,578.16
Interest Rate:	4%
Term:	5-year term, 5-year amortization

NOW, THEREFORE, BE IT RESOLVED, that the Loan Extension Request is hereby conditionally approved, subject to completion of all standard requirements of ACBDC and satisfaction of all conditions precedent normally applicable to ACBDC business loan extensions and all conditions which legal counsel for ACBDC deems reasonably appropriate to the circumstances; and be it further

RESOLVED, that upon satisfaction of all of the aforesaid requirements and conditions, ACBDC is authorized to close the modification and extension of the Prior Loan in accordance with the terms of this Resolution, including execution by appropriate official of Alliance, as agent of ACBDC, of all documents required to be executed in connection therewith.

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