

DIVISION 00 – PROCUREMENT AND CONTRACTING REQUIREMENTS

SECTION 00 41 13

BID FORM

TO:

TOWN OF DEWEY BEACH
105 RODNEY AVENUE
DEWEY BEACH, DELAWARE

NEW DEWEY BEACH TOWN
HALL AND POLICE DEPT.

I have received the construction documents titled New Construction for Dewey Town Hall and Police Department. I have also received Addenda Nos. 1-4, and have included their provisions in this Proposal. I have examined both the documents and the site and submit the following bid.

In submitting this bid, I agree:

1. To hold my bid open until 60 days after bids are opened.
2. To enter into and execute a Contract, if awarded on the basis of this bid, and to furnish Performance and Labor and Material Payment Bonds in accord with the Supplementary Instructions to AIA Document A701.
3. To accomplish the work in accord with the Contract Documents.
4. To complete the work as certified in writing by the architect within 600 calendar days following receipt of written notice to proceed.

The first phase of construction will take 430 calendar days

The second phase of construction will take 170 calendar days.

Costello Construction of Maryland will construct this project for the lump sum price of:

Eleven Million Eighty Thousand Dollars (\$ ~~10,980,000~~) \$ 11,080,000

The first phase of construction with prevailing wage rate will cost:

Nine Million Four Hundred Eighty Thousand Dollars (\$ 9,480,000)

The second phase of construction with prevailing wage rate will cost:

One Million Six Hundred Thousand Dollars (\$ 1,600,000)

Included within the lump sum price is \$ 80,000 for the full payment & performance bond premium in the amount of 100% of the lump sum price stated on this bid form.

I include a copy of my current Delaware Contractor's license, Town of Dewey Contractor License, and other local licenses if applicable, with my bid. Subcontractor's entered into this contract with trades identified by the Delaware Division of Professional Regulation—including but not limited to Electricians, Elevator Mechanics, HVAC, Plumbers, Surveyors, etc.—shall possess professional licenses by the Delaware Division of Professional Regulation.

I include an executed copy of AIA Document A305 "Contractor's Qualification Statement" with my bid.

I include the required Bid Security with my bid.

I include the following DEDUCTIVE ALTERNATES. The Town of Dewey Beach reserves the right to incorporate alternates, in part or in total, it deems to be in its own best interests.

ALTERNATE NO. 1: Omit terrazzo flooring, and substitute with LVT flooring #2.

DEDUCT: \$ 105,000

ALTERNATE NO. 2: Omit drywall, furring, acoustical batt insulation for wall types A and B. Embed conduit, power, or other utility within the wall. Finish exposed concrete with primer and paint as specified.

DEDUCT: \$ 40,000

ALTERNATE NO. 3: Omit all LVT and Carpet where scheduled, and substitute for sealed and polished concrete.

DEDUCT: \$ 10,000

ALTERNATE NO. 4: Substitute standing seam metal roof for fully adhered pvc membrane roof with standing seam profile.

DEDUCT: \$ 110,000

ALTERNATE NO. 5: Omit all windows on the third floor. Block and rough-in framing for future window install.

DEDUCT: \$ 18,000

ALTERNATE NO. 6: Omit all ceramic tile. Provide rigid vinyl wall protection system up to 48" A.F.F. over painted moisture resistant drywall where scheduled, and provide fully adhered LVT flooring with heat welded seams to prevent moisture intrusion.

DEDUCT: \$ 9,000

ALTERNATE NO. 7: Substitute fiberglass doors and frames for hollow metal doors and frames.

DEDUCT: \$ 19,000

ALTERNATE NO. 8: Omit elevator # 2. Provide foundation pit, shaft wall at first floor, and floor block outs for second and third for future install. Provide handicap lift to serve between Grade Vestibule to Processing Vestibule with necessary safeguards, calls, and doors.

DEDUCT: \$ 135,000

ALTERNATE NO. 9: Omit all ballistic (and fire-rated) exterior glass on first floor and substitute with ballistic and fire-rated glass block with frames and mortar.

DEDUCT: \$ 60,000

ALTERNATE NO. 10: The cost to omit prevailing wages from labor for the project from **first phase** of construction.

DEDUCT: \$ 770,000

ALTERNATE NO. 11: The cost to omit prevailing wages from labor for the project from second phase of construction.

DEDUCT: \$ 145,000

ALTERNATE NO. 12: The cost in savings for construction if phasing was eliminated from the project and both phases (1+2) were constructed all at one time under prevailing wage rate.

DEDUCT: \$ 413,000

SCHEDULE C- UNIT PRICES BID – CONTINGENT ITEMS

CONTINGENT ITEMS: The following unit prices will be utilized for changes in work from that indicated by the Project Manual, upon authorization of the Engineer.

ITEM NO.	DESCRIPTION	UNIT	ESTIMATED QUANTITY	UNIT PRICE	TOTAL PRICE
C1	Excavation Below Subgrade	-- CY	200	\$ 60	\$ 12,000
C2	Furnish and Place Gravel Bedding	-- CY	100	\$ 80	\$ 8,000
C3	Furnish and Place Special Backfill	-- CY	200	\$ 350	\$ 10,000
C4	Miscellaneous Excavation and Backfill	-- CY	100	\$ 470	\$ 7,000
C5	Furnish and Place Miscellaneous 4,500 psi Concrete	-- CY	100	\$ 700	\$ 70,000
C6	Secure Modified Proctor Tests	-- EA	6	\$ 2,000	\$ 12,000
C7	Secure Field Density Tests	-- EA	20	\$ 300	\$ 6,000
C8	Secure Concrete Field Test Cylinders	-- EA	20	\$ 250	\$ 5,000

SUBCONTRACTORS

Subcontractor's entered into this contract with trades identified by the Delaware Division of Professional Regulation—including but not limited to Electricians, Elevator Mechanics, HVAC, Plumbers, Surveyors, etc.—shall possess professional licenses by the Delaware Division of Professional Regulation. The undersigned BIDDER proposes to use the following named licensed SUBCONTRACTORS:

SITE WORK Costello Construction

PAVEMENT Costello Construction

CONCRETE Costello Construction

STEEL BAS, Inc. LLC

CARPENTRY Costello Construction

FRAMING Costello Construction

CABINETRY Cutting Edge Cabinetry

DOORS AND HARDWARE Costello Construction

WINDOWS AC Glass, Inc.

DRYWALL Expert Builders

ACOUSTICAL CEILINGS Expert Builders

FLOORING Floormax

ROOFING Northeast Roofing


HVAC Diamond Mechanical

ELECTRICAL Frick Electric

PLUMBING Diamond Mechanical

FIRE PROTECTION Bear Industries

The following Corporation is chartered in the State of Maryland


Witness


Signature
Corporate Secretary
Title

CORPORATE SEAL

Costello Construction of MD, Inc.

Firm Name
10211 Wincopin Circle, Suite 100

Columbia, MD 21044

Date

1/17/2025

Business Address

2025700735

Delaware Contractor's License #

END OF SECTION

Document A310™ – 2010

Conforms with The American Institute of Architects AIA Document 310

Bid Bond

CONTRACTOR:

(Name, legal status and address)

Costello Construction of Maryland, Inc.
10211 Wincopin Circle, Suite 100
Columbia, MD 21044

OWNER:

(Name, legal status and address)

The Town of Dewey Beach
105 Rodney Avenue
Dewey Beach, DE 19971

SURETY:

(Name, legal status and principal place of business)

Markel Insurance Company
4521 Highwoods Parkway
Glen Allen, VA 23060
Mailing Address for Notices
4521 Highwoods Parkway
Glen Allen, VA 23060

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

Any singular reference to Contractor, Surety, Owner or other party shall be considered plural where applicable.

BOND AMOUNT: 10% Ten Percent of Amount Bid

PROJECT:

(Name, location or address, and Project number, if any)

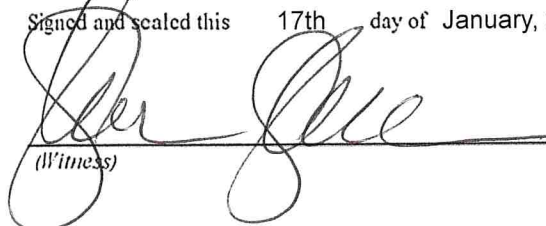
New Construction for Dewey Town Hall & Police Department, 1505 Coastal Highway, Dewey Beach, DE 19971

The Contractor and Surety are bound to the Owner in the amount set forth above, for the payment of which the Contractor and Surety bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally, as provided herein. The conditions of this Bond are such that if the Owner accepts the bid of the Contractor within the time specified in the bid documents, or within such time period as may be agreed to by the Owner and Contractor, and the Contractor either (1) enters into a contract with the Owner in accordance with the terms of such bid, and gives such bond or bonds as may be specified in the bidding or Contract Documents, with a surety admitted in the jurisdiction of the Project and otherwise acceptable to the Owner, for the faithful performance of such Contract and for the prompt payment of labor and material furnished in the prosecution thereof; or (2) pays to the Owner the difference, not to exceed the amount of this Bond, between the amount specified in said bid and such larger amount for which the Owner may in good faith contract with another party to perform the work covered by said bid, then this obligation shall be null and void, otherwise to remain in full force and effect. The Surety hereby waives any notice of an agreement between the Owner and Contractor to extend the time in which the Owner may accept the bid. Waiver of notice by the Surety shall not apply to any extension exceeding sixty (60) days in the aggregate beyond the time for acceptance of bids specified in the bid documents, and the Owner and Contractor shall obtain the Surety's consent for an extension beyond sixty (60) days.

If this Bond is issued in connection with a subcontractor's bid to a Contractor, the term Contractor in this Bond shall be deemed to be Subcontractor and the term Owner shall be deemed to be Contractor.

When this Bond has been furnished to comply with a statutory or other legal requirement in the location of the Project, any provision in this Bond conflicting with said statutory or legal requirement shall be deemed deleted herefrom and provisions conforming to such statutory or other legal requirement shall be deemed incorporated herein. When so furnished, the intent is that this Bond shall be construed as a statutory bond and not as a common law bond.

Signed and sealed this 17th day of January, 2025.


(Witness)


(Witness) Sarah White, Surety Witness

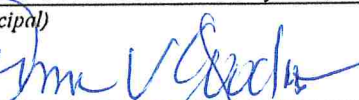
Costello Construction of Maryland, Inc.

(Principal)

(Seal)

By:

(Title)


Donna V. Goodman, Corporate Secretary

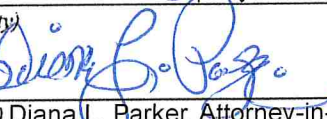
Markel Insurance Company

(Surety)

(Seal)

By:

(Title)


Diana L. Parker, Attorney-in-Fact



Markel Insurance Company

LIMITED POWER OF ATTORNEY

Know All Men by These Presents, That MARKEL INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Illinois, and having its principal administrative office in Glen Allen, Virginia, does by these presents make, constitute and appoint

Diana L. Parker

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings of other instruments or contracts of suretyship to include waivers to the conditions of contracts and consents of surety for, providing the bond penalty does not exceed

Principal: Costello Construction of Maryland, Inc.
Obligee: The Town of Dewey Beach
Amounts: See Bond Form

and to bind the Company thereby as fully and to the same extent as if such bond were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming all that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolution of the Board of Directors of Markel Insurance Company:

RESOLVED, That the President, any Senior Vice President, Vice President, Assistant Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for on behalf of the Company, subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and on behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Secretary.

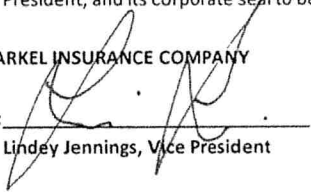
FURTHER RESOLVED, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached.

In Witness Whereof, MARKEL INSURANCE COMPANY has caused these presents to be signed by its Vice President, and its corporate seal to be hereto affixed this 13th day of January, 2023.

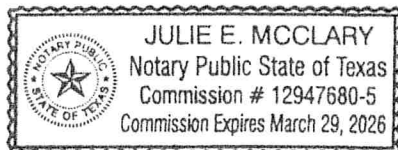
State of Texas
County of Travis:

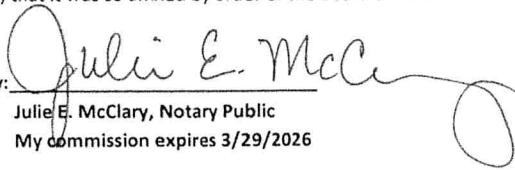


MARKEL INSURANCE COMPANY

By: 
Lindsey Jennings, Vice President

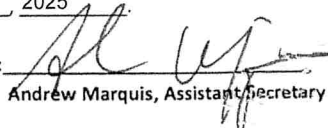
On this 13th day of January, 2023 before me personally came Lindsey Jennings, to me known, who being by me duly sworn, did depose and say that he resides in Travis County, Texas, where he is Vice President of MARKEL INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.



By: 
Julie E. McClary, Notary Public
My commission expires 3/29/2026

I, Andrew Marquis, Assistant Secretary of MARKEL INSURANCE COMPANY, do hereby certify that the above and foregoing is true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; and, furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

Given under my hand and the seal of said Company at Austin, Texas this 17th day of January, 2025.

By: 
Andrew Marquis, Assistant Secretary

Any instrument issued in excess of the penalty stated above is totally void and without any validity.

For verification of the authority of this Power you may call (713) 812-0800 on any business day between 8:30 AM and 5:00 PM CST.



AIA® Document A305® – 2020

Contractor's Qualification Statement

THE PARTIES SHOULD EXECUTE A SEPARATE CONFIDENTIALITY AGREEMENT IF THEY INTEND FOR ANY OF THE INFORMATION IN THIS A305-2020 TO BE HELD CONFIDENTIAL.

SUBMITTED BY:

(Organization name and address.)
Costello Construction of Maryland, Inc.
10211 Wincopin Circle, Suite 100
Columbia, MD 21044

SUBMITTED TO:

(Organization name and address.)
Town of Dewey Beach
105 Rodney Avenue
Dewey Beach, DE 19971

TYPE OF WORK TYPICALLY PERFORMED

(Indicate the type of work your organization typically performs, such as general contracting, construction manager as constructor services, HVAC contracting, electrical contracting, plumbing contracting, or other.)

General Contractor

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

THIS CONTRACTOR'S QUALIFICATION STATEMENT INCLUDES THE FOLLOWING:

(Check all that apply.)

- ☒ Exhibit A – General Information
- ☒ Exhibit B – Financial and Performance Information
- ☒ Exhibit C – Project-Specific Information
- ☒ Exhibit D – Past Project Experience
- ☐ Exhibit E – Past Project Experience (Continued)

CONTRACTOR CERTIFICATION

The undersigned certifies under oath that the information provided in this Contractor's Qualification Statement is true and sufficiently complete so as not to be misleading.

Organization's Authorized Representative
Signature

Date

David C. Costello, President

Printed Name and Title

NOTARY

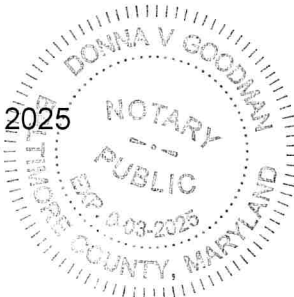
State of: Maryland

County of: Baltimore

Signed and sworn to before me this 14th day of January, 2025

Notary Signature

My commission expires: September 3, 2025





AIA® Document A305® – 2020 Exhibit A

General Information

This Exhibit is part of the Contractor's Qualification Statement, submitted by Costello Construction of Maryland, Inc. and dated January the 17th day of in the year 2025
(In words, indicate day, month and year.)

§ A.1 ORGANIZATION

§ A.1.1 Name and Location

§ A.1.1.1 Identify the full legal name of your organization.

Costello Construction of Maryland, Inc.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

§ A.1.1.2 List all other names under which your organization currently does business and, for each name, identify jurisdictions in which it is registered to do business under that trade name. N/A

§ A.1.1.3 List all prior names under which your organization has operated and, for each name, indicate the date range and jurisdiction in which it was used.
N/A

§ A.1.1.4 Identify the address of your organization's principal place of business and list all office locations out of which your organization conducts business. If your organization has multiple offices, you may attach an exhibit or refer to a website.

10211 Wincopin Circle, Suite 100
Columbia, MD 21044

§ A.1.2 Legal Status

§ A.1.2.1 Identify the legal status under which your organization does business, such as sole proprietorship, partnership, corporation, limited liability corporation, joint venture, or other.
Corporation

- .1 If your organization is a corporation, identify the state in which it is incorporated, the date of incorporation, and its four highest-ranking corporate officers and their titles, as applicable.
Maryland, 08/1993
David C. Costello, President
Donna V. Goodman, Corporate Secretary
Brian H. Shumate, Vice-President
- .2 If your organization is a partnership, identify its partners and its date of organization.
- .3 If your organization is individually owned, identify its owner and date of organization.

- 4 If the form of your organization is other than those listed above, describe it and identify its individual leaders:

§ A.1.2.2 Does your organization own, in whole or in part, any other construction-related businesses? If so, identify and describe those businesses and specify percentage of ownership.

No

§ A.1.3 Other Information

§ A.1.3.1 How many years has your organization been in business?

31 years

§ A.1.3.2 How many full-time employees work for your organization?

49

§ A.1.3.3 List your North American Industry Classification System (NAICS) codes and titles. Specify which is your primary NAICS code.

236220

§ A.1.3.4 Indicate whether your organization is certified as a governmentally recognized special business class, such as a minority business enterprise, woman business enterprise, service disabled veteran owned small business, woman owned small business, small business in a HUBZone, or a small disadvantaged business in the 8(a) Business Development Program. For each, identify the certifying authority and indicate jurisdictions to which such certification applies.

N/A

§ A.2 EXPERIENCE

§ A.2.1 Complete Exhibit D to describe up to four projects, either completed or in progress, that are representative of your organization's experience and capabilities:

§ A.2.2 State your organization's total dollar value of work currently under contract.

\$128,230,000

§ A.2.3 Of the amount stated in Section A.2.2, state the dollar value of work that remains to be completed:

\$25,922,900

§ A.2.4 State your organization's average annual dollar value of construction work performed during the last five years.

\$50,000,000

§ A.3 CAPABILITIES

§ A.3.1 List the categories of work that your organization typically self-performs.

All sitework including clearing, demolition, earthwork, site utilities, excavation and concrete work

§ A.3.2 Identify qualities, accreditations, services, skills, or personnel that you believe differentiate your organization from others.

We believe that self-performing the sitework gives us an advantage over most General Contractors as we can keep the costs down. We own a full array of

heavy equipment including excavators, backhoe, loaders, skid steer loaders and bulldozers.

§ A.3.3 Does your organization provide design collaboration or pre-construction services? If so, describe those services. N/A

§ A.3.4 Does your organization use building information modeling (BIM)? If so, describe how your organization uses BIM and identify BIM software that your organization regularly uses. No

§ A.3.5 Does your organization use a project management information system? If so, identify that system.
No

§ A.4 REFERENCES

§ A.4.1 Identify three client references:

(Insert name, organization, and contact information)

See attached

§ A.4.2 Identify three architect references:

(Insert name, organization, and contact information)

See attached

§ A.4.3 Identify one bank reference:

(Insert name, organization, and contact information)

Sean Hough, Sandy Spring Bank - 301-774-6400 x 6488

§ A.4.4 Identify three subcontractor or other trade references:

(Insert name, organization, and contact information)

See attached

AIA® Document A305® – 2020 Exhibit B

Financial and Performance Information

This Exhibit is part of the Contractor's Qualification Statement, submitted by dated the 17th day of January in the year , 2025

§ B.1 FINANCIAL

§ B.1.1 Federal tax identification number: 52-1938992

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

§ B.1.2 Attach financial statements for the last three years prepared in accordance with Generally Accepted Accounting Principles, including your organization's latest balance sheet and income statement. Also, indicate the name and contact information of the firm that prepared each financial statement.

§ B.1.3 Has your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management, been the subject of any bankruptcy proceeding within the last ten years? **No**

§ B.1.4 Identify your organization's preferred credit rating agency and identification information.

(Identify rating agency, such as Dun and Bradstreet or Equifax, and insert your organization's identification number or other method of searching your organization's credit rating with such agency.)

Dun & Bradstreet 94-723-5628

§ B.2 DISPUTES AND DISCIPLINARY ACTIONS

§ B.2.1 Are there any pending or outstanding judgments, arbitration proceedings, bond claims, or lawsuits against your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management, or any of the individuals listed in Exhibit A, Section 1.2, in which the amount in dispute is more than \$75,000?

(If the answer is yes, provide an explanation.)

JP Construction - filed Owner delay claims which are barred by the contract but filed suit anyway
R&R Fabrication - Terminated for default and filed suit

§ B.2.2 In the last five years has your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management:

(If the answer to any of the questions below is yes, provide an explanation.)

.1 failed to complete work awarded to it? **No**

.2 been terminated for any reason except for an owners' convenience? **No**

.3 had any judgments, settlements, or awards pertaining to a construction project in which your organization was responsible for more than \$75,000? No

.4 filed any lawsuits or requested arbitration regarding a construction project? No

§ B.2.3 In the last five years, has your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management; or any of the individuals listed in Exhibit A Section 1.2:

(If the answer to any of the questions below is yes, provide an explanation.)

.1 been convicted of, or indicted for, a business-related crime? No

.2 had any business or professional license subjected to disciplinary action? No

.3 been penalized or fined by a state or federal environmental agency? No



AIA® Document A305® – 2020 Exhibit C

Project Specific Information

This Exhibit is part of the Contractor's Qualification Statement, submitted by and dated the 17th day of January in the year 2025
(In words, indicate day, month and year.)

PROJECT:

(Name and location or address.)

Dewey Beach Town Hall, Police Department and EMS Facility
1505 Coastal Highway, Dewey Beach, DE 19971

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

CONTRACTOR'S PROJECT OFFICE:

(Identify the office out of which the contractor proposes to perform the work for the Project.)

10211 Wincopin Circle, Suite 100
Columbia, MD 21044

TYPE OF WORK SOUGHT

(Indicate the type of work you are seeking for this Project, such as general contracting, construction manager as constructor, design-build, HVAC subcontracting, electrical subcontracting, plumbing subcontracting, etc.)

General Contracting

CONFLICT OF INTEREST

Describe any conflict of interest your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management, or any of the individuals listed in Exhibit A Section 1.2, may have regarding this Project. N/A

§ C.1 PERFORMANCE OF THE WORK

§ C.1.1 When was the Contractor's Project Office established? 08/1993

§ C.1.2 How many full-time field and office staff are respectively employed at the Contractor's Project Office? 49

§ C.1.3 List the business license and contractor license or registration numbers for the Contractor's Project Office that pertain to the Project.

Maryland - 13828950
Delaware - 2025700735

§ C.1.4 Identify key personnel from your organization who will be meaningfully involved with work on this Project and indicate (1) their position on the Project team, (2) their office location, (3) their expertise and experience, and (4) projects similar to the Project on which they have worked. See attached

§ C.1.5 Identify portions of work that you intend to self-perform on this Project.
See bid form

§ C.1.6 To the extent known, list the subcontractors you intend to use for major portions of work on the Project.
See bid form

§ C.2 EXPERIENCE RELATED TO THE PROJECT

§ C.2.1 Complete Exhibit D to describe up to four projects performed by the Contractor's Project Office, either completed or in progress, that are relevant to this Project, such as projects in a similar geographic area or of similar project type. If you have already completed Exhibit D, but want to provide further examples of projects that are relevant to this Project, you may complete Exhibit E.

§ C.2.2 State the total dollar value of work currently under contract at the Contractor's Project Office:
\$128,230,000

§ C.2.3 Of the amount stated in Section C.2.2, state the dollar value of work that remains to be completed:
\$25,922,900

§ C.2.4 State the average annual dollar value of construction work performed by the Contractor's Project Office during the last five years.
\$50,000,000

§ C.2.5 List the total number of projects the Contractor's Project Office has completed in the last five years and state the dollar value of the largest contract the Contractor's Project Office has completed during that time.
10 projects completed
largest dollar value - \$134,100,000

§ C.3 SAFETY PROGRAM AND RECORD

§ C.3.1 Does the Contractor's Project Office have a written safety program? Yes

§ C.3.2 List all safety-related citations and penalties the Contractor's Project Office has received in the last three years.
N/A

§ C.3.3 Attach the Contractor's Project Office's OSHA 300a Summary of Work-Related Injuries and Illnesses form for the last three years.

§ C.3.4 Attach a copy of your insurance agent's verification letter for your organization's current workers' compensation experience modification rate and rates for the last three years.

§ C.4 INSURANCE

§ C.4.1 Attach current certificates of insurance for your commercial general liability policy, umbrella insurance policy, and professional liability insurance policy, if any. Identify deductibles or self-insured retentions for your commercial general liability policy.

§ C.4.2 If requested, will your organization be able to provide property insurance for the Project written on a builder's risk "all-risks" completed value or equivalent policy form and sufficient to cover the total value of the entire Project on a replacement cost basis? Yes

§ C.4.3 Does your commercial general liability policy contain any exclusions or restrictions of coverage that are prohibited in AIA Document A101-2017, Exhibit A, Insurance A.3.2.2.2? If so, identify. **No**

§ C.5 SURETY

§ C.5.1 If requested, will your organization be able to provide a performance and payment bond for this Project?
Yes

§ C.5.2 Surety company name: **Markel Surety**

§ C.5.3 Surety agent name and contact information: **Dave Saul**
443-902-2452
dave.saul@alliant.com

§ C.5.4 Total bonding capacity: **\$200,000,000**

§ C.5.5 Available bonding capacity as of the date of this qualification statement: **\$150,000,000**



AIA® Document A305® – 2020 Exhibit D

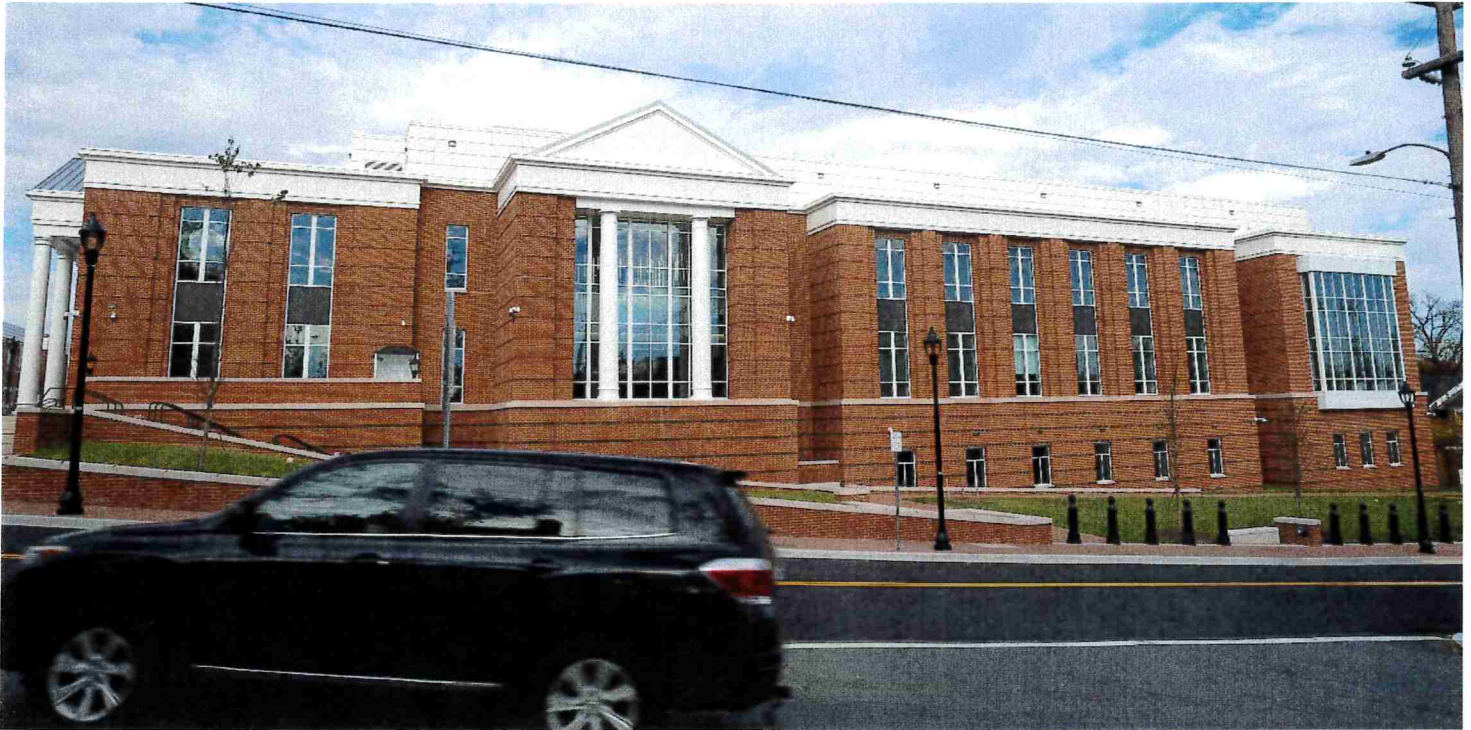
Contractor's Past Project Experience

See attached project sheets

	1	2	3	4
PROJECT NAME	Loudoun County Courthouse	Catonsville District Courthouse		
PROJECT LOCATION	Leesbury, VA	Catonsville, Maryland		
PROJECT TYPE	Government New Construction	Government New Construction		
OWNER	Loudoun County, VA	State of Maryland		
ARCHITECT	Dewberry	Bushey Feight Morin/ RicciGreen Associates		
CONTRACTOR'S PROJECT EXECUTIVE	David C. Costello	David C. Costello		
KEY PERSONNEL (include titles)	See attached	See attached		
PROJECT DETAILS	Contract Amount \$61,000,000 Completion Date 10/31/2023 % Self-Performed Work 30	Contract Amount \$58,000,000 Completion Date 01/03/2020 % Self-Performed Work 30	Contract Amount Completion Date % Self-Performed Work	Contract Amount Completion Date % Self-Performed Work
PROJECT DELIVERY METHOD	<input checked="" type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:	<input checked="" type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:	<input type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:	<input type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:
SUSTAINABILITY CERTIFICATIONS	LEED Silver	LEED Silver		

Loudoun County Courthouse

Leesburg, Va.



Client

Nicholas Brown, Construction Program
Manager
Loudoun County Government 101 Blue Seal
rive Suite 102
Leesburg, Virginia 20177
571-2585-3435

Architect

Dewberry
1503 Edwards Ferry Road Suite 200
Leesburg, Va 20176
703-771-8004

Size

92,000 square feet

Cost

\$61M

Project Completion

October 2023

Project Description

Costello Construction recently completed the new Loudoun County Courthouse, a pivotal component of the broader *Courts Complex Expansion* initiative. Situated at the corner of Church Street and Edwards Ferry Road in historic downtown Leesburg, the courthouse is strategically positioned to serve both the community and the region for years to come.

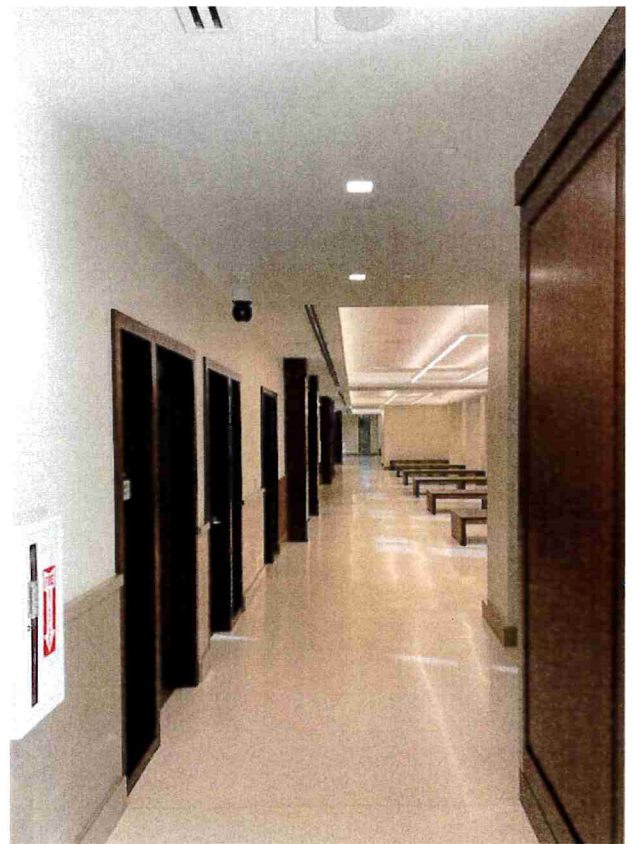
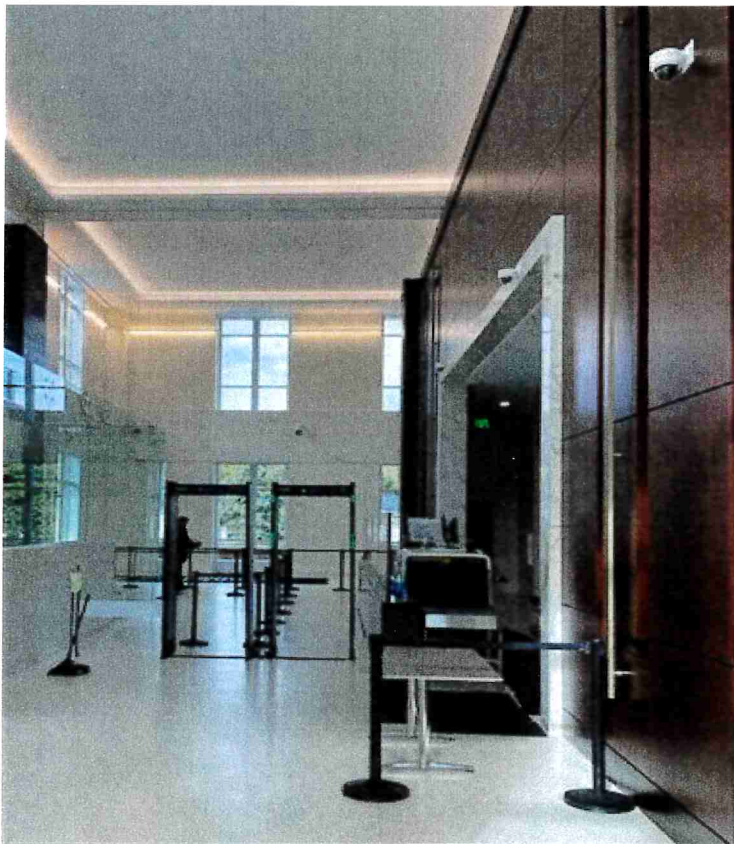
Designed with sustainability in mind, the new courthouse has successfully achieved *LEED Silver Certification*, reflecting our commitment to environmentally responsible design and construction practices. Costello Construction played an integral role in the project, self-performing key tasks such as demolition, site concrete work, and 25% of the interior finishes.

This project underscores our ability to manage complex, high-visibility public-sector projects while maintaining quality, efficiency, and sustainability throughout the construction process.



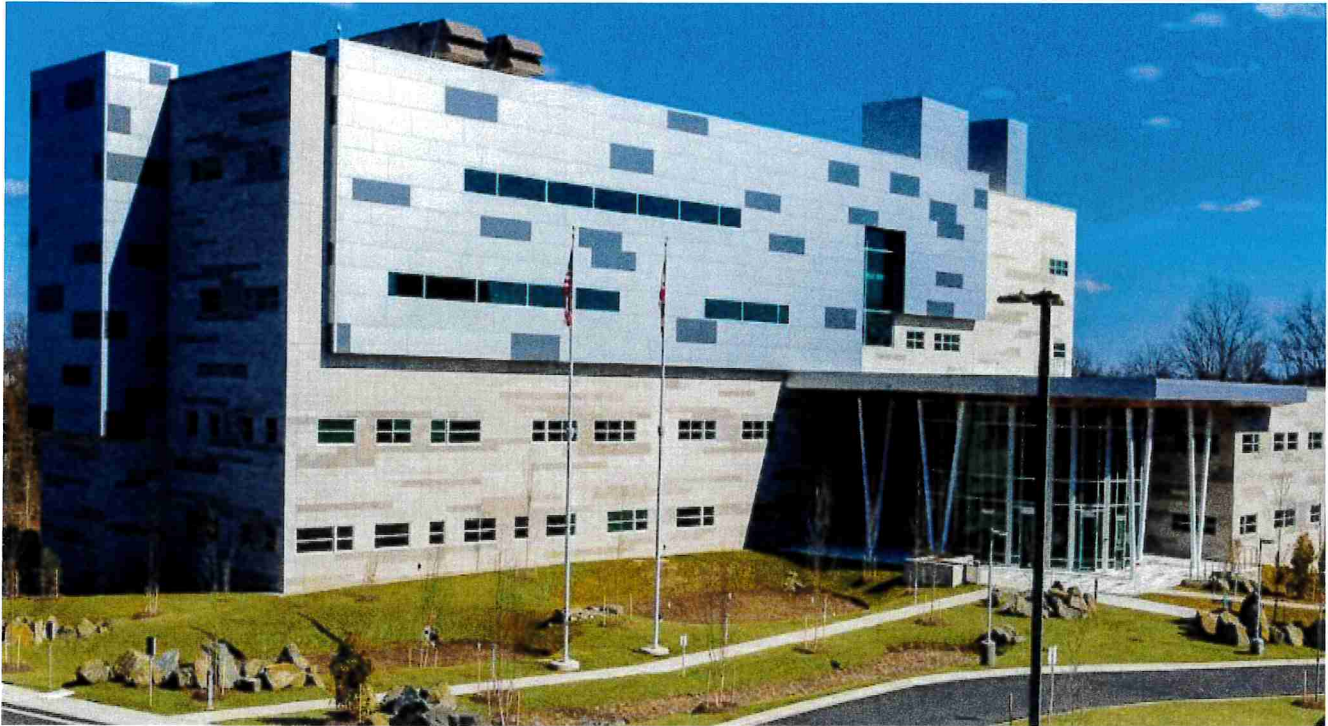
LOUDOUN COUNTY COURTHOUSE

Leesburg, VA



Catonsville District Courthouse + Parking Garage

Catonsville, MD.



Client

State of Maryland
Department of General Services
301 West Preston Street
Baltimore, Maryland 21201
Mr. Barry Miller
410-767-4446
barryl.miller@maryland.com

Architect

Bushey Feight Morin/Riccigreen Associates
473 North Potomac Street
Hagerstown, Maryland 21740
Aaron House
301-733-5600

Size

130,000 sf + 4.5 Story, 425 Space Parking Garage

Cost

\$58M

Project Completion

January 2020



Project Description

The Catonsville District Courthouse is a state-of-the-art, 5-story, 130,000-square-foot facility designed to meet the growing needs of the community. The new courthouse features seven courtrooms, two pre-trial hearing rooms, a Department of Juvenile Services, parole and probation offices, public defenders' offices, judicial chambers, and a variety of administrative and support spaces—more than doubling the capacity of the previous courthouse.

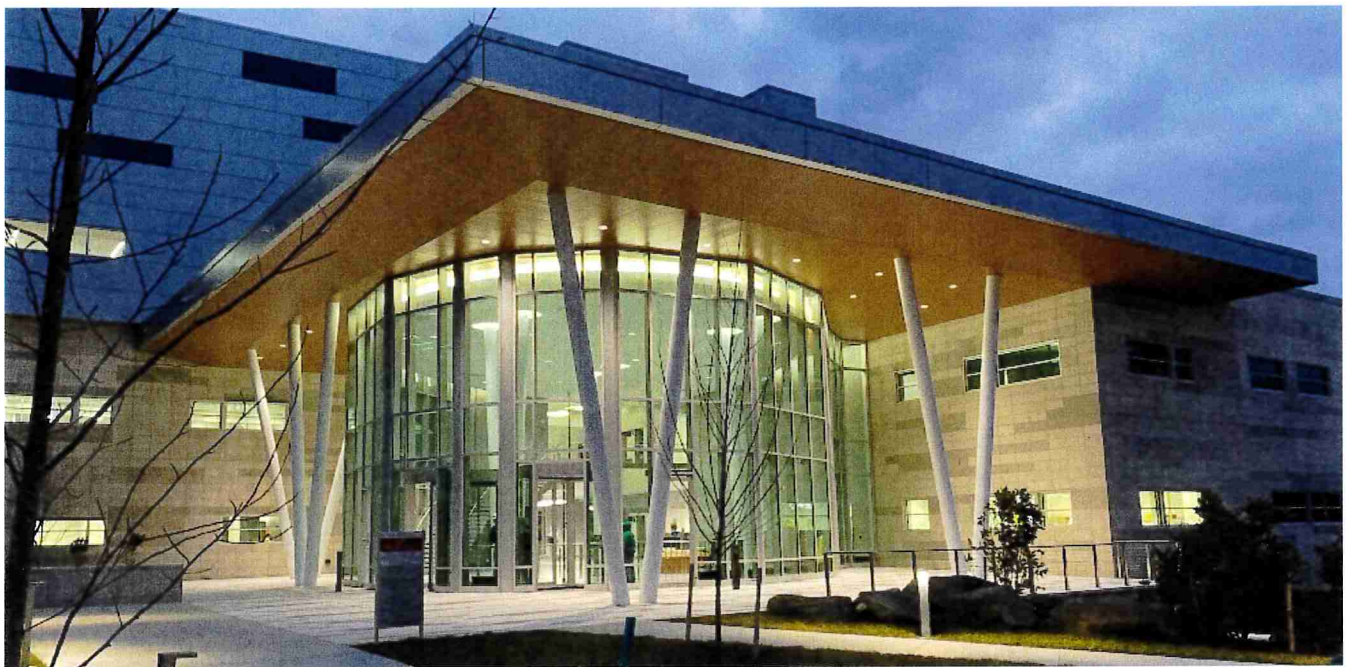
To ensure the safety and efficiency of operations, the building is designed with distinct separation between public, judicial, and security zones. A sophisticated security system is integrated throughout, including high-security detention equipment. Adjacent to the courthouse, a 425-space, multi-level public parking garage is provided, while judges' parking is located in a secured lower-level service area. To further enhance security, a dedicated sally port and holding area have been constructed to ensure safe access for detainees.

Sustainability is a key focus, with energy-efficient HVAC systems and low-flow plumbing fixtures incorporated throughout the building. The site design also includes efforts to restore the surrounding habitat and tree coverage, alongside advanced stormwater management solutions.

The structure itself features a complex steel frame supported by pile caps and large caissons, providing the necessary foundation for this expansive and secure public facility.

Catonsville District Courthouse + Parking Garage

Catonsville, MD





AIA® Document A305® – 2020 Exhibit E

Contractor's Past Project Experience, Continued

	1	2	3	4
PROJECT NAME				
PROJECT LOCATION				
PROJECT TYPE				
OWNER				
ARCHITECT				
CONTRACTOR'S PROJECT EXECUTIVE				
KEY PERSONNEL (include titles)				
PROJECT DETAILS	Contract Amount Completion Date % Self-Performed Work	Contract Amount Completion Date % Self-Performed Work	Contract Amount Completion Date % Self-Performed Work	Contract Amount Completion Date % Self-Performed Work
PROJECT DELIVERY METHOD	<input type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:	<input type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:	<input type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:	<input type="checkbox"/> Design-bid-build <input type="checkbox"/> Design-build <input type="checkbox"/> CM constructor <input type="checkbox"/> CM advisor <input type="checkbox"/> Other:
SUSTAINABILITY CERTIFICATIONS				

OWNERS:

1. David Dise, Director

Department of General Services- Montgomery County Maryland 101 Monroe Street
Rockville, Maryland 20850
240-777-6191

2. Nicholas Brown

Construction Program Manager – Loudoun County Government 101 Blue Seal rive Suite 102
Leesburg, Virginia 20177
571-2585-3435

3. Jean Parker

General Manager – Merriweather Post Pavilion 10475 Little Patuxent Parkway
Columbia, Maryland 21044
410-715-5550

4. Joe Zurzolo

CIV NAVFAC Washington, PWD – Naval Academy Annapolis, Maryland
410-293-5842

5. Monica Jefferies

Strathmore
5301 Tuckerman Lane
North Bethesda, Maryland 20852
301-581-5151



ENGINEERS/ARCHITECTS:

1. Jeffery Burchard, AIA, Principle

Machado-Silvetti Architects
560 Harrison Avenue, Suite 301
Boston Massachusetts 02118
617-426-7070 ext. 109

2. Melanie Hennigan, AIA, LEED AP

President and CEO
Grimm and Parker Architects 11720
Beltsville Drive Suite 600
Calverton, Maryland 20705
301-595-1000

3. Frank Morabito, PE SI

Principle
Morabito Consultants
952 Ridge Brook Road Suite 1700
Sparks, Maryland 21152
410-467-2377

4. Brian Tarantino, P.E.

Principle
Tarantino Engineering Consultants, P.C.
81115 Maple Lawn Blvd. Suite 350
Fulton, Maryland 20759
410-921-7678

5. Timothy Hill

Principle
Hillis-Carnes Engineering Associates
10975 Gilford Road
Annapolis Junction, Maryland 20701
410-880-4788



MAJOR SUBCONTRACTORS:

1. Robert Harris

RL Harris, LLC
Joe Harris Road
Prince Frederick, Maryland 20678
443-404-7441

2. Mike DiGirolomo

Anne Arundel Fire Protection
796 Cromwell Park Drive Suite G
Glenn Burnie, Maryland 21061
301-249-8840

3. Roger Arnold

Miller Long and Arnold
410 Washington Blvd. Halethorpe, Maryland
410-247-9631

4. Eric Denny

Metromont Corporation
1650 Darby Road
Richmond, Virginia 23231
804-665-1324

5. Carlos Montes

Roman Mechanical and Plumbing
5612 Lanham Station Rd.
Lanham, Maryland 20706
301-979-8999



David Costello, President

PROJECT EXECUTIVE



Education

Towson State University, Bachelor
of Science in Economics, 1987

Registrations

VA License #2705039291
MD License #13828950

Professional Affiliations

AGC Maryland NAIOB
Maryland USGBC

Years in Practice / Years at Costello
35 / 30

Additional Experience

- Loudoun County Administration Building
- Silver Spring Library
- Catonsville District Courthouse
- Loudoun County Courthouse
- Fairfax Regional Library
- Enoch Pratt Library Annex Library
- Strathmore Music Center Building Terrace
- Merriweather Post Pavilion
- Northern VA Parking Garage
- Silver Spring Civic Center

As President of Costello Construction, David is responsible for overall operations and is also involved in the management of all company projects. Functions falling under David's purview are estimating, scheduling, quality control, safety management, labor force management, and general field operations. David started in the construction industry as a teenager, working as a laborer during summer recesses. His early experiences in the field not only shaped him as a construction professional but also shaped Costello Construction as a hands-on, self-performing contractor. His exceptional knowledge of the construction industry and hands-on management style is the predominant force behind Costello Construction.

Select Experience

Little Patuxent Square, Columbia, MD

Located at the epicenter of downtown Columbia, Little Patuxent Square sets a new standard for mixed-use development in Howard County. Designed and constructed to meet LEED Gold certification, the project consists of a nine-story Class A office tower, a twelve-story luxury apartment tower, and premier retail space. This exciting project features 158,000 square feet of Class A office space, 10,000 square feet of retail space, 5 ½ levels of below-grade parking, a 6,000 square foot open-air courtyard, and 160 luxury apartment-style residences ranging from studio to three-bedroom units, complete with a rooftop pool.

Wheaton Library + Community Center, Wheaton, MD

The new 90,000 sf Wheaton Library + Community Recreation Center features a multi-use facility offering a variety of services in one location. Patrons of all ages will enjoy a multipurpose ballfield, a playground area, an outdoor patio, a multi-court gymnasium, exercise, and game rooms, arts and activities rooms, a multipurpose social hall, plenty of meeting rooms and integrated computer labs, reading areas, and stacks for books, a used book store, classroom spaces for the Gilchrist Center, and both surface and structured parking.

Silver Spring Library, Silver Spring, MD

The 90,000 sf Silver Spring Library features multi-use meeting rooms, a children's program room, computer labs, and a Disability Resource Center. There are computer workstations throughout the entire building as well as seating and electronic outlets for computer use. The building features a flexible design, allowing spaces to be used in multiple capacities. Designed LEED Silver, Silver Spring Library was awarded LEED Gold.



Brian Shumate, AIA

Vice President

SENIOR PROJECT MANAGER



Education

Savannah College of Art and Design, Masters in Architecture, 1999

Savannah College of Art and Design, Bachelor of Science in Architecture and Minor in Electronic Design (Graphics and CAD emphasis), 1998

Registrations

AIA#30150851

NCARB#83416

GCBI Number 10125505

Professional Affiliations

Maryland State AIA

USGBC NCARB

Years in Practice / Years at Costello

23 / 20

Additional Experience

- Silver Spring Civic Center
- Fairfax City Regional Library
- Merriweather Post Pavilion
- Research 1 Building George Mason University
- Administration Building, Loudoun County Schools

Brian joined Costello Construction in 2003 after a successful career in the architectural industry. As a licensed architect, Brian provides a superior level of design and construction knowledge to the Costello team. As Vice President, Brian provides supervision of planning, scheduling, engineering, and accounting on all projects. He is involved in all phases of the project, including estimating, scheduling, project management, safety management, subcontractor management, quality control, commissioning, and project close-out. Brian's strong work ethic and dedication to each project filter down through the rest of his team. Thanks to his leadership, each project is completed to the most detailed specifications, resulting in the highest level of quality and client satisfaction.

Select Experience

Silver Spring Library, Silver Spring, MD

The 90,000 sf Silver Spring Library features multi-use meeting rooms, a children's program room, computer labs, and a Disability Resource Center. There are computer workstations throughout the entire building as well as seating and electronic outlets for computer use. The building features a flexible design, allowing spaces to be used in multiple capacities. Designed LEED Silver, Silver Spring Library was awarded LEED Gold.

Strathmore Music Center Bou Terrace/Escalator Addition Bethesda, MD

This expansion project added 5,000 sf of glass-enclosed space to the Music Center, enclosing the Bou Terrace and thereby doubling the number of patrons who can be seated and served at the Music Center café. The soaring, circular pavilion includes a skylight and sliding glass walls that open to the outside as weather permits. This addition also expanded the meeting and reception capacity for pre-and post-show events, civic meetings, and pre-concert educational lectures. It also incorporated an escalator to help ease crowd congestion and offer easy access for patrons with mobility issues. All construction occurred while the facility was open and operational.

Little Patuxent Square, Columbia, MD

Located at the epicenter of downtown Columbia, Little Patuxent Square sets a new standard for mixed-use development in Howard County. Designed and constructed to meet LEED Gold certification, the project consists of a nine-story Class A office tower, a twelve-story luxury apartment tower, and premier retail space. This exciting project features 158,000 square feet of Class A office space, 10,000 square feet of retail space, 5 ½ levels of below-grade parking, a 6,000 square foot open-air courtyard, and 160 luxury apartment-style residences ranging from studio to three-bedroom units, complete with a rooftop pool.



Nicolas Costello, E.I.T.

PROJECT ENGINEER



Education

The George Washington University,
School of Engineering and Applied
Science, Bachelor of Science - Civil
Engineering, 2022

State of Maryland, Certificate
Engineer in Training, 2022

Safety and Health Training

OSHA 10
OSHA 30
CPR & First Aid Certified

Skills

Procore
Auto CAD/Revit
Bluebeam
Staad Pro
C-Programming

Years in Industry / Years at Costello
6/6

Additional Experience

- Ashburn Recreation and Community Center
- United States Naval Academy Center for Cyber Security Studies Parking Garage
- Merriweather Lakehouse Hotel
- Avery Road Treatment Center
- Life First - Renovation

Nicholas spent his formative years working alongside his father, David Costello, on many notable Costello Construction projects throughout Maryland, Virginia, and Washington, DC. After spending summers as a laborer and honing his craft, Nick joined Costello Construction in 2022 full-time as a project engineer. As a project engineer, Nick oversees crews of workers, craftspeople, and subcontractors for the life of the project. His dedication to the project has been a driving force behind its success, and he consistently goes above and beyond to ensure that all work is completed to the highest standard and in accordance with acceptable submittals and contract documents. Nick's excellent communication skills have been instrumental in fostering positive relationships with clients and facilitating and establishing clear expectations from team members and stakeholders throughout the planning and building process. Nick holds a bachelor's degree in engineering from the George Washington University School of Engineering and Applied Science as well as a State of Maryland Engineer in Training (E.I.T.) certification.

Select Experience

Ashburn Recreational Community Center, Ashburn, VA

Costello Construction was recently awarded the new Ashburn Recreation & Community Center. The \$85M project will construct a 117,000-square-foot recreation and community center. The two-story facility will feature a 50-meter competition pool, leisure pool, spa, full-size gymnasium, soft sensory playroom, multipurpose room with a catering and teaching kitchen, classrooms, offices, and meeting spaces. The facility's indoor basketball courts include game line markings for basketball, volleyball, and pickleball. A total of (6) indoor courts will be available. The second floor will include fitness areas, a running track, spectator seating for the competition pool, and a viewing area for the leisure pool. Additional features include a multi-use trail around the property, a large courtyard with seating, a splash play area, and playground equipment.

Catonsville District Courthouse, Catonsville, MD

The Catonsville District Court is a 5-story, 130,000 SF building boasting seven courtrooms, two pre-trial hearing rooms, a department of juvenile services, parole, and probation services, public defenders offices, judicial chambers, and associated administrative and support spaces, more than doubling the size of the previous courthouse. The space is designed to keep the circulation of the public, judges, and security completely separated. A 425-space multi-level public parking garage sits adjacent to the courthouse while judge's parking is located below the building. To maximize security measures, a separate sally port and holding area were constructed to provide secure access to and from the building. Sustainable features include a highly efficient HVAC system and low-flow plumbing fixtures. Enhanced site design was implemented to restore the surrounding habitat and tree coverage, as well as to effectively manage stormwater. The project was awarded LEED Silver Certification.

Joshua Robinson

PROJECT SUPERINTENDENT



Education

Shepard University, 2007

Howard Community College, 2008

Safety and Health Training

OSHA 30 Certified

CPR Certified

FIRST AID Certified

Skills

Procore

Timberline

Auto CAD

Years in Industry / Years at Costello

14/4

Additional Experience

- Elizabeth House III + South County Regional Aquatic Center
- Loudoun County Courthouse
- Strathmore Music Center Bou Terrace
- Chesapeake Analytics Collaborative Buildings, University of Maryland

Josh began working for Costello Construction in 2019 after serving as a foreman for a flooring firm on numerous significant projects in the District of Columbia, Maryland, Virginia, and West Virginia, including the Little Patuxent Square project for Costello Construction. Josh is on-site as the superintendent, overseeing the entire construction effort to make sure the project is built in accordance with the design, budget, and schedule. He arranges for the delivery of all materials and makes sure that they comply with the approved submittals and the contract's written requirements. Josh organizes and oversees all foreman coordination meetings, weekly toolbox talks, and daily safety inspections to make sure everyone working on the project is following the safety regulations set forth by Costello Construction. Josh manages and carries out the CCM Quality Control Plan, creating daily and weekly reports as part of this process. Subcontractors, field crews, and the entire project team succeed under his leadership because of his enthusiasm, experience, hands-on approach, and collaborative spirit.

Select Experience

Merriweather Lakehouse Hotel, Columbia, MD

This 197,000 sf renovation included the addition of two new wings, featuring 76 uniquely appointed guest rooms, and a complete interior remodel to the existing tower rooms, lobby, and ballrooms. The project added a 150-seat restaurant, a new bar/lounge with soaring floor-to-ceiling windows, a new see-through fireplace enhanced by a brick surround, a full-service café, a new rooftop pool/lounge area, a spacious lakefront terrace, additional meeting space, and a reimagined front entry. The hotel's two new structural additions, as well as the extensive interior remodeling, transform the hotel into a highly-desired four-star Autograph Collection property. Costello Construction self-performed the demolition, site work, concrete, and millwork on the project.

Catonsville District Courthouse, Catonsville, MD

The Catonsville District Court is a 5-story, 130,000 SF building boasting seven courtrooms, two pre-trial hearing rooms, a department of juvenile services, parole, and probation services, public defenders offices, judicial chambers, and associated administrative and support spaces, more than doubling the size of the previous courthouse. The space is designed to keep the circulation of the public, judges, and security completely separated. A 425-space multi-level public parking garage sits adjacent to the courthouse while the judge's parking is located below the building. To maximize security measures, a separate sally port and holding area were constructed to provide secure access to and from the building. Sustainable features include a highly efficient HVAC system and low-flow plumbing fixtures. Enhanced site design was implemented to restore the surrounding habitat and tree coverage, as well as to effectively manage stormwater. The project was awarded LEED Silver Certification. Costello Construction self-performed all site work and concrete work.



Eduardo Cruz

ASSIST. PROJECT SUPERINTENDENT



Education

Theodore Roosevelt School - Global
Studies Campus, 2004
Bi-Lingual English/Spanish

Safety and Health Training

OSHA 30 Certified
CPR Certified
FIRST AID Certified

Skills

Procore
Timberline

Years in Industry / Years at Costello

14/6

Additional Experience

- North Laurel Community Center
- Elizabeth House III + South
County Regional Aquatic Center
- Wheaton Regional Library +
Recreational Center
- Strathmore Music Center Bou
Terrace

Eduardo was promoted to assistant superintendent in 2021 after serving as a labor and carpentry foreman on many significant Costello Construction projects in the District of Columbia, Maryland, and Virginia. Eduardo is on-site as an assistant superintendent, assisting in the supervision of the entire construction effort to guarantee that the project is built in line with the design, budget, and schedule. He helps organize the delivery of all materials and ensures that they are in conformity with acceptable submittals and contract documents. Eduardo is in charge of overseeing crews of workers, craftspeople, and subcontractors for the life of the project. Eduardo addresses each workday with a pleasant, impassioned, and concentrated attitude.

Select Experience

Merriweather Lakehouse Hotel, Columbia, MD

This 197,000 sf renovation included the addition of two new wings, featuring 76 uniquely appointed guest rooms, and a complete interior remodel to the existing tower rooms, lobby, and ballrooms. The project added a 150-seat restaurant, a new bar/lounge with soaring floor-to-ceiling windows, a new see-through fireplace enhanced by a brick surround, a full-service café, a new rooftop pool/lounge area, a spacious lakefront terrace, additional meeting space, and a reimagined front entry. The hotel's two new structural additions, as well as the extensive interior remodeling, transform the hotel into a highly-desired four-star Autograph Collection property. Costello Construction self-performed the demolition, site work, concrete, and millwork on the project.

Catonsville District Courthouse, Catonsville, MD

The Catonsville District Court is a 5-story, 130,000 SF building boasting seven courtrooms, two pre-trial hearing rooms, a department of juvenile services, parole, and probation services, public defenders offices, judicial chambers, and associated administrative and support spaces, more than doubling the size of the previous courthouse. The space is designed to keep the circulation of the public, judges, and security completely separated. A 425-space multi-level public parking garage sits adjacent to the courthouse while judge's parking is located below the building. To maximize security measures, a separate sally port and holding area were constructed to provide secure access to and from the building. Sustainable features include a highly efficient HVAC system and low-flow plumbing fixtures. Enhanced site design was implemented to restore the surrounding habitat and tree coverage, as well as to effectively manage stormwater. The project was awarded LEED Silver Certification. Costello Construction self-performed all site work and concrete work on the project.

Jose Torres

SENIOR PROJECT FOREMAN



Equipment Operation Experience

CAT D4 Track Dozer
CAT D6R Track Dozer
CAT 963B Track Loader
CAT 950F Wheel Loader
CAT 436C Backhoe
CAT 330C Excavator
CAT 330D Excavator
CAT 349FL Excavator
CAT 308 Mini Excavator
CAT 310 Mini Excavator
CAT 303 Mini Excavator
Bobcat Track Skid Steer
CAT All-Terrain Forklift
JLG 120' Boom Lift
CAT 433 Drum Compactor
Electric Scissor Lift

Safety and Health Training

OSHA 10 Certified
CPR and FIRST AID Certified

Years in Industry / Years at Costello

20/20

Additional Experience

- The Heights Building Phase II
- Washington College Terrace Renovation
- Elizabeth House III + South County Regional Aquatic Center
- Loudoun County Courthouse
- Strathmore Music Center Bou Terrace
- Silver Spring Library
- Elkridge Library

Jose has been a vital member of the Costello Construction team since 2006. Jose oversees all external self-performance work on a project in his capacity as foreman. Jose is in charge of all self-performed labor, including concrete, site utility, earthwork, and site outfitting. Jose works closely with the project superintendent to make sure that all materials utilized on the job adhere to the contract's specifications and any previously submitted materials for which authorization has been granted. He regularly conducts quality control and safety inspections in accordance with Costello Construction policy, and he takes part in all foreman coordination meetings. Jose is a trustworthy and well-respected team member for Costello Construction, its labor force, and its subcontractors.

Select Experience

Little Patuxent Square, Columbia, MD

Located at the epicenter of downtown Columbia, Little Patuxent Square sets a new standard for mixed-use development in Howard County. Designed and constructed to meet LEED Gold certification, the project consists of a nine-story Class A office tower, a twelve-story luxury apartment tower, and premier retail space. This exciting project features 158,000 square feet of Class A office space, 10,000 square feet of retail space, 5 ½ levels of below-grade parking, a 6,000 square foot open-air courtyard, and 160 luxury apartment-style residences ranging from studio to three-bedroom units, complete with a rooftop pool.

Catonsville District Courthouse, Catonsville, MD

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OSHA's Form 300A (Rev. 01/2004)

Summary of Work-Related Injuries and Illnesses

All establishments covered by Part 1904 must complete this Summary page, even if no injuries or illnesses occurred during the year. Remember to review the Log to verify that the entries are complete

Using the Log, count the individual entries you made for each category. Then write the totals below, making sure you've added the entries from every page of the log. If you had no cases write "0."

Employees former employees, and their representatives have the right to review the OSHA Form 300 in its entirety. They also have limited access to the OSHA Form 301 or its equivalent. See 29 CFR 1904.35, in OSHA's Recordkeeping rule, for further details on the access provisions for these forms.

Number of Cases			
Total number of deaths	Total number of cases with days away from work	Total number of cases with job transfer or restriction	Total number of other recordable cases
0	1	0	0
(G)	(H)	(I)	(J)

Number of Days	
Total number of days away from work	Total number of days of job transfer or restriction
21	0
(K)	(L)

Injury and Illness Types			
Total number of... (M)			
(1) Injury	2	(4) Poisoning	0
(2) Skin Disorder	0	(5) Hearing Loss	0
(3) Respiratory Condition	0	(6) All Other Illnesses	0

Post this Summary page from February 1 to April 30 of the year following the year covered by the form

Public reporting burden for this collection of information is estimated to average 58 minutes per response, including time to review the instruction, search and gather the data needed, and complete and review the collection of information. Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number. If you have any comments about these estimates or any aspects of this data collection, contact: US Department of Labor, OSHA Office of Statistics, Room N-3644, 200 Constitution Ave. NW, Washington, DC 20210. Do not send the completed forms to this office.

Establishment information

Your establishment name Costello Construction of Maryland, Inc.

Street 10211 Wincopin Circle, Suite 100

City Columbia State Maryland Zip 21044

Industry description (e.g., Manufacture of motor truck trailers)
General Contractor

Standard Industrial Classification (SIC), if known (e.g., SIC 3715)
OR North American Industrial Classification (NAICS), if known (e.g., 336212)
2 3 6 2 2 0

Employment information

Annual average number of employees 49

Total hours worked by all employees last year 115,277

Sign here

Knowingly falsifying this document may result in a fine.

I certify that I have examined this document and that to the best of my knowledge the entries are true, accurate, and complete.

Accounting Manager Title

410-740-9500 Phone

1/16/2025 Date

Summary of Work-Related Injuries and Illnesses

Form approved OMB no. 1218-0176

5/25/2024
1/25/24-
Sent to
labster

Summary of Work-Related Injuries and Illnesses

1/16/2025

Costello Construction of Maryland, Inc.
10211 Wincopin Circle, Suite 100
Columbia, MD 21044

Dear Donna,

The following factors are the confirmed Experience Modification Rate for the past three years as determined by NCCI:

2021: 1.32
2022: 1.08
2023: 0.75
2024: 0.79

Sincerely,

Lucy Lupinek

Lucy Lupinek
Client Representative



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
8/29/2024

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Riggs, Counselman, Michaels & Downes, Inc. 555 Fairmount Avenue Towson MD 21286	CONTACT NAME: Michelle Mitchell GAU10W		
	PHONE (A/C, No, Ext): 410-339-7263	FAX (A/C, No): 410-339-7234	
E-MAIL ADDRESS: mmitchell@rcmd.com			
INSURER(S) AFFORDING COVERAGE		NAIC #	
INSURED Costello Construction of Maryland, Inc. 10211 Wincopin Circle, Suite 100 Columbia MD 21044	INSURER A : National Union Fire Insurance Company of Pittsburgh		19445
	INSURER B : New Hampshire Insurance Company		23841
	INSURER C : The Cincinnati Insurance Company		10677
	INSURER D :		
	INSURER E :		
INSURER F :			

COVERAGES CERTIFICATE NUMBER: 726554197 REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:			GL3292086	9/1/2024	9/1/2025	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMP/OP AGG \$ 4,000,000 \$
A	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			CA4544755	9/1/2024	9/1/2025	COMBINED SINGLE LIMIT (Ea accident) \$ 2,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 0			EXS0627205	9/1/2024	9/1/2025	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N <input type="checkbox"/> N/A		WC022298377	9/1/2024	9/1/2025	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 2,000,000 E.L. DISEASE - EA EMPLOYEE \$ 2,000,000 E.L. DISEASE - POLICY LIMIT \$ 2,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
General proof of coverage

CERTIFICATE HOLDER

CANCELLATION

.Specimen	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

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January 17, 2025

Mr. Bill Zolper, Town Manager
The Town of Dewey Beach
105 Rodney Avenue
Dewey Beach, DE 19971

Re: New Construction for Dewey Town Hall & Police Department

Dear Mr. Zolper:

Costello Construction of Maryland, Inc. has been a client of Markel Insurance Company for over four years. During that time, we have supported this firm in their pursuit of projects in the \$125,000,000 range and total programs in excess of \$250,000,000. We are prepared to provide Bid, Performance, and Payment Bonds on the aforementioned project, provided Costello Construction of Maryland, Inc. is awarded the contract. The anticipated available bonding capacity at the time of bid is approximately \$200,000,000.

We also possess certificates of authority as an acceptable surety authorized to do business in the Commonwealth of Virginia as published annually in the Federal Register, Department of Treasurer, Fiscal Service, Department Circular 570.

Sincerely,

MARKEL INSURANCE COMPANY

A.M. Best Financial Strength Rating A / Financial Size Category XV

A handwritten signature in blue ink, appearing to read "Diana L. Parker", is written over a horizontal line.

Diana L. Parker, Attorney-In-Fact

JOINT LIMITED POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That SureTec Insurance Company, a Corporation duly organized and existing under the laws of the State of Texas and having its principal office in the County of Harris, Texas and Markel Insurance Company (the "Company"), a corporation duly organized and existing under the laws of the state of Illinois, and having its principal administrative office in Glen Allen, Virginia, does by these presents make, constitute and appoint:

David Saul, Diana L. Parker, Karen C. Bowling, Terry D. Reynolds, Timothy Jerome Lambdin, Michele Alban

Their true and lawful agent(s) and attorney(s)-in-fact, each in their separate capacity if more than one is named above, to make, execute, seal and deliver for and on their own behalf, individually as a surety or jointly, as co-sureties, and as their act and deed any and all bonds and other undertaking in suretyship provided, however, that the penal sum of any one such instrument executed hereunder shall not exceed the sum of:

In Unlimited Amounts

This Power of Attorney is granted and is signed and sealed under and by the authority of the following Resolutions adopted by the Board of Directors of SureTec Insurance Company and Markel Insurance Company:

"RESOLVED, That the President, any Senior Vice President, Vice President, Assistant Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer and each of them hereby is authorized to execute powers of attorney, and such authority can be executed by use of facsimile signature, which may be attested or acknowledged by any officer or attorney, of the company, qualifying the attorney or attorneys named in the given power of attorney, to execute in behalf of, and acknowledge as the act and deed of the SureTec Insurance Company and Markel Insurance Company, as the case may be, all bond undertakings and contracts of suretyship, and to affix the corporate seal thereto."

IN WITNESS WHEREOF, Markel Insurance Company and SureTec Insurance Company have caused their official seal to be hereunto affixed and these presents to be signed by their duly authorized officers on the 20th day of August, 2024.

SureTec Insurance Company

By:

Michael C. Keimig, President



Markel Insurance Company

By:

Lindsey Jennings, Vice President

State of Texas
County of Harris:

On this 20th day of August, 2024 A. D., before me, a Notary Public of the State of Texas, in and for the County of Harris, duly commissioned and qualified, came THE ABOVE OFFICERS OF THE COMPANIES, to me personally known to be the individuals and officers described in, who executed the preceding instrument, and they acknowledged the execution of same, and being by me duly sworn, disposed and said that they are the officers of the said companies aforesaid, and that the seals affixed to the proceeding instrument are the Corporate Seals of said Companies, and the said Corporate Seals and their signatures as officers were duly affixed and subscribed to the said instrument by the authority and direction of the said companies, and that Resolutions adopted by the Board of Directors of said Companies referred to in the preceding instrument is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand, and affixed my Official Seal, in the County of Harris, the day and year first above written.



By:

Chelsea Turner, Notary Public
My commission expires 7/6/2028

We, the undersigned Officers of SureTec Insurance Company and Markel Insurance Company do hereby certify that the original POWER OF ATTORNEY of which the foregoing is a full, true and correct copy is still in full force and effect and has not been revoked.

IN WITNESS WHEREOF, we have hereunto set our hands, and affixed the Seals of said Companies, on the 17th day of January, 2025.

SureTec Insurance Company

By:

M. Brent Beaty, Assistant Secretary

Markel Insurance Company

By:

Andrew Marquis, Assistant Secretary

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.**

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Costello Construction of Maryland, Inc.

Opinion

We have audited the accompanying combined financial statements of Costello Construction of Maryland, Inc., (a Maryland S corporation) and affiliate (the Company), which comprise the combined balance sheets as of December 31, 2023 and 2022, and the related combined statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above 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. 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 combined financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
June 4, 2024

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Combined Balance Sheets
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 19,195,876	\$ 17,552,789
Contract receivables	13,482,991	6,788,254
Costs and estimated earnings in excess of billings on uncompleted contracts	-0-	110,112
Retentions receivable	6,515,947	8,549,490
Marketable securities	3,806,554	1,391,605
Loans receivable	150,000	-0-
Other current assets	150,177	152,552
Total Current Assets	<u>43,301,545</u>	<u>34,544,802</u>
Property		
Construction equipment	1,636,077	1,636,077
Automotive equipment	1,250,227	1,098,063
Office furniture and equipment	215,453	204,498
Leasehold improvements	274,057	274,057
Total	<u>3,375,814</u>	<u>3,212,695</u>
Less: Accumulated depreciation	2,873,841	2,720,138
Net Property	<u>501,973</u>	<u>492,557</u>
Other Assets		
Deposits	211,777	211,777
Operating lease right-of-use asset	43,754	-0-
Contract receivables, net of current portion	2,201,773	2,201,773
Loans receivable	57,637	57,637
Loans receivable - related parties	10,645,945	9,191,311
Total Other Assets	<u>13,160,886</u>	<u>11,662,498</u>
Total Assets	<u><u>\$ 56,964,404</u></u>	<u><u>\$ 46,699,857</u></u>

	<u>2023</u>	<u>2022</u>
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	\$ 9,317,299	\$ 8,662,378
Accrued expenses	92,441	195,587
Billings in excess of costs and estimated earnings on uncompleted contracts	10,162,772	3,315,334
Retentions payable	6,382,514	6,828,196
Paycheck protection program note payable	1,068,097	1,068,097
Current maturities of long-term debt	56,291	86,227
Current maturities of operating lease liabilities	7,236	-0-
Due to stockholder	2,571,689	2,577,440
Total Current Liabilities	<u>29,658,339</u>	<u>22,733,259</u>
Non-Current Liabilities		
Long-term debt, net of current maturities	99,443	37,307
Operating lease liabilities, net of current maturities	36,520	-0-
Total Non-Current Liabilities	<u>135,963</u>	<u>37,307</u>
Total Liabilities	<u>29,794,302</u>	<u>22,770,566</u>
Commitments and Contingencies (Notes 10, 11 and 16)		
Stockholder's Equity		
Common stock, without par value:		
Authorized - 2,000 shares		
Issued and outstanding - 360 shares	260,000	260,000
Retained earnings	26,910,102	23,669,291
Total Stockholder's Equity	<u>27,170,102</u>	<u>23,929,291</u>
Total Liabilities and Stockholder's Equity	<u>\$ 56,964,404</u>	<u>\$ 46,699,857</u>

The accompanying notes are an integral part of these financial statements.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Combined Statements of Income
Years Ended December 31, 2023 and 2022

	2023		2022		Increase (Decrease)
Contract Revenues Earned	\$ 60,400,960	100.0%	\$ 71,766,907	100.0%	\$ (11,365,947)
Cost of Revenues Earned	54,946,148	91.0	64,043,549	89.2	(9,097,401)
Gross Profit	5,454,812	9.0	7,723,358	10.8	(2,268,546)
Operating Expenses	2,626,675	4.3	2,696,984	3.8	(70,309)
Income from Operations	2,828,137	4.7	5,026,374	7.0	(2,198,237)
Other Income (Expense)					
Net interest income	1,228,622	2.0	449,710	.6	778,912
Miscellaneous income	43,595	.1	35,910	.1	7,685
Gain on sale of property	-0-	-	21,414	-	(21,414)
Net income (loss) on investments	142,281	.2	(213,639)	(.3)	355,920
Net Other Income	1,414,498	2.3	293,395	.4	1,121,103
Net Income	\$ 4,242,635	7.0%	\$ 5,319,769	7.4%	\$ (1,077,134)

The accompanying notes are an integral part of these financial statements.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Combined Statement of Stockholder's Equity
Years Ended December 31, 2023 and 2022

	Common Stock	Retained Earnings	Total Stockholder's Equity
Balances - January 1, 2022	\$ 260,000	\$ 18,476,353	\$ 18,736,353
Prior period adjustment (see Note 15)	-0-	798,727	798,727
Balances - January 1, 2022, as restated	260,000	19,275,080	19,535,080
Net income for the year ended December 31, 2022	-0-	5,319,769	5,319,769
Stockholder distributions	-0-	(925,558)	(925,558)
Balances - December 31, 2022	260,000	23,669,291	23,929,291
Net income for the year ended December 31, 2023	-0-	4,242,635	4,242,635
Stockholder distributions	-0-	(1,001,824)	(1,001,824)
Balances - December 31, 2023	<u>\$ 260,000</u>	<u>\$ 26,910,102</u>	<u>\$ 27,170,102</u>

The accompanying notes are an integral part of these financial statements.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Combined Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Net income	\$ 4,242,635	\$ 5,319,769
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	153,703	150,594
Unrealized (gain) loss on marketable securities	(258,225)	252,449
Realized loss on marketable securities	129,325	9,832
Gain on disposal of property	-0-	(21,414)
Changes in operating assets and liabilities:		
Contract receivables	(6,694,737)	4,741,914
Costs and estimated earnings in excess of billings on uncompleted contracts	110,112	3,382,492
Retentions receivable	2,033,543	(1,948,712)
Other current assets	2,375	5,925
Operating lease right-of-use asset	3,510	-0-
Accounts payable	654,921	(6,634,325)
Accrued expenses	(103,146)	102,654
Billings in excess of costs and estimated earnings on uncompleted contracts	6,847,438	1,517,747
Retentions payable	(445,682)	692,909
Operating lease liabilities	(3,508)	-0-
Net Cash Provided by Operating Activities	<u>6,672,264</u>	<u>7,571,834</u>
Cash Flows from Investing Activities		
Purchase of marketable securities	(3,595,272)	(655,422)
Proceeds from the sales of marketable securities	1,309,223	664,027
Purchase of property	(35,920)	(238,420)
Proceeds from the sales of property	-0-	52,000
Net change in loans receivable	(150,000)	50,000
Net change in loans receivable - related parties	(1,454,634)	(2,624,784)
Net Cash Used in Investing Activities	<u>(3,926,603)</u>	<u>(2,752,599)</u>
Cash Flows from Financing Activities		
Principal payments on long-term debt	(94,999)	(105,009)
Net change in due to stockholder	(5,751)	2,577,440
Stockholder distributions	(1,001,824)	(925,558)
Net Cash Provided by (Used in) Financing Activities	<u>(1,102,574)</u>	<u>1,546,873</u>
Net Increase in Cash and Cash Equivalents	1,643,087	6,366,108
Cash and Cash Equivalents at Beginning of Year	<u>17,552,789</u>	<u>11,186,681</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,195,876</u>	<u>\$ 17,552,789</u>

	2023	2022
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 3,970	\$ 89
Cash paid for operating leases	\$ 4,438	\$ -0-
Non-Cash Operating Activities:		
Right-of-use assets and lease liabilities acquired under operating leases	\$ 47,263	\$ -0-
Non-Cash Investment and Financing Activities:		
Acquisitions of property	\$ 163,119	\$ 238,420
Property acquired under notes payable	127,199	-0-
	\$ 35,920	\$ 238,420

The accompanying notes are an integral part of these financial statements.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Costello Construction of Maryland, Inc. (Costello), a Maryland corporation formed in 1995, is a general contractor operating primarily within the Washington-Baltimore, Northern Virginia Metropolitan area. Most work is performed under fixed-price contracts. Costello Construction, Inc. (CCI), is a Maryland corporation formed in 1993, to lease vehicles and construction equipment to Costello. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Principles of Combination: The accompanying combined financial statements include accounts of Costello and CCI, herein collectively referred to as "the Company". All intercompany balances and transactions have been eliminated in combination.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Cost Recognition of Construction Contracts and Significant Judgments: Revenues from fixed-price contracts are recognized using the cost-to-cost input method, which measures progress toward completion based on the percentage of cost incurred to date to estimated total cost for each contract. Contract costs include all direct costs and those indirect costs related to contract performance. Operating expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, the effects of which are recognized in the period in which the revisions are determined.

Performance Obligations: The Company recognizes construction contract revenue for financial reporting purposes over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Construction contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of services. The Company recognizes revenue using the cost-to-cost input method, based primarily on contract cost incurred to date compared to total estimated contract cost, which requires significant judgment. The cost-to-cost input method is used because management considers total cost to be the best available measure of progress on contracts.

If long-term contracts extend over one or more years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period in which the revisions become known. Change orders are included in contract amounts when they receive final approval or as work is completed if only preliminary approval has been obtained. Claims are not included in the contract amount until received unless otherwise noted. Profits on time and material jobs (T&M) are recorded as the work is performed. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

Cash and Cash Equivalents: The Company classifies all investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contract Receivables: The Company's contract receivables are primarily derived from local government agencies and privately owned business. The Company recognizes an expected allowance for credit losses at each balance sheet date, which is estimated to reflect changes in credit risk since the receivable was originally recorded. This estimate is based on a review of the Company's historical losses based on the aging of receivables and is adjusted for management's assessment of current conditions and reasonable reportable forecasts of future events. Contract receivables are generally due within 30 days of the issuance of the invoice. Collateral or other security is not required to support receivables. The Company did not record an allowance for credit losses at December 31, 2023 and 2022 based on management's expected collection loss analysis. The total amount of write-offs during the years ended December 31, 2023 was \$13. There were no write-offs of contract receivables in 2022.

Retention Receivables: Retention receivables represent the amounts withheld from billings by clients pursuant to provisions in the contracts and may not be paid to the Company until the completion of specific tasks or the completion of the project and, in some instances, for even longer periods.

Marketable Securities: Investments with readily determinable fair values are reported at fair value. Investments whose fair values are not readily available are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in earnings.

Property and Depreciation: Property is stated at cost, less accumulated depreciation. Expenditures for maintenance and routine repairs are charged to expense as incurred. Depreciation expense for the years ended December 31, 2023 and 2022 was \$153,703 and \$150,594, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Lives</u>
Construction equipment	5 - 7 years
Automotive equipment	5 - 7 years
Office furniture and equipment	3 - 7 years
Leasehold improvements	10 years

Leases: The Company determines if an arrangement is a lease at inception of the contract. As of the lease commencement date, each lease is evaluated to determine if it will be classified as an operating or finance lease. Operating and finance leases are reported on the balance sheet as a depreciable right-of-use asset (ROU) and a related lease liability to make lease payments. The asset and liability are measured at the present value of the lease payments due over the term of the lease. Leases with a term of 12 months or less are considered short-term leases and lease assets and liabilities are not recognized. Lease terms include the noncancellable portion of the lease and reasonably certain renewal periods, termination options and purchase options. Variable lease payments that cannot be determined at the commencement of the lease such as lease payments based on changes in index rates or usage are not included in the lease assets or liabilities. The ROU assets are expensed over the term of the lease and the lease liabilities are reduced by lease payments. The Company accounts for lease and non-lease components separately. The Company uses the risk-free discount rate to determine the present value of the lease payments for ROUs when the rate implicit in the lease is not available.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

During the year ended December 31, 2023, the Company entered into a lease that has been recorded as a ROU asset and lease liability. The Company did not have any leases subject to reporting as a ROU asset and liability as of December 31, 2022.

Advertising: Cost associated with advertising and promotion are expensed in the year incurred. Advertising expense is included in operating expenses on the accompanying combined statements of income and totaled \$88,205 and \$54,426, respectively, for the years ended December 31, 2023 and 2022.

Income Taxes: The Company has elected to have its income taxed under provisions of Subchapter S of the Internal Revenue Code. Under those provisions, which are also applicable to most states in which the Company operates, the stockholders report the income or loss of the Company in their stockholding ratios on their personal income tax returns and the Company generally pays no income taxes. Any state income taxes paid by the Company are included in stockholder distributions. The Company's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

Recently Adopted Accounting Standards: The FASB issued ASC 326, *Financial Instruments - Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets. The most significant change is a shift from the incurred loss model to the expected loss model for estimating the allowance for credit losses. Under this standard, disclosures are required to provide the financial statement users with information for analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Company that are subject to the guidance in ASC 326 are contract and retainage receivables. The Company adopted ASC 326 effective January 1, 2023. The impact of the adoption was not material to the financial statements and primarily resulted in new disclosures only.

Reclassification: Certain amounts previously recorded in the December 31, 2022 financial statements have been reclassified to conform to the financial statement presentation for the year ended December 31, 2023.

Subsequent Events: In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 4, 2024, the date the financial statements were available to be issued. During the period from January 1, 2024 to June 4, 2024, the Company did not have any material recognizable subsequent events.

Note 2: Contract Receivables

Contract receivables consist of the following at December 31, 2023 and 2022:

	2023	2022
Billings on completed contracts	\$ 2,960,946	\$ 2,381,556
Billings on contracts in progress	12,723,818	6,445,246
Unbilled receivables	-0-	163,225
	<u>\$ 15,684,764</u>	<u>\$ 8,990,027</u>

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 3: Contract Assets and Liabilities

Contract assets include retentions receivable and unbilled amounts typically resulting from revenue under long-term contracts when the cost-to-cost input method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Contract liabilities include retentions payable and amounts billed to clients in excess of revenue recognized to date.

Following is pertinent information with respect to contracts in progress as of December 31, 2023 and 2022:

	2023	2022
Costs incurred on uncompleted contracts	\$ 216,887,828	\$ 162,603,754
Estimated earnings on uncompleted contracts	20,372,261	15,698,349
	<u>237,260,089</u>	<u>178,302,103</u>
Less: Billings to date	247,422,861	181,507,325
	<u>\$ (10,162,772)</u>	<u>\$ (3,205,222)</u>

The preceding amounts are included in the accompanying combined balance sheets at December 31, 2023 and 2022 as follows:

	2023	2022
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ -0-	\$ 110,112
Billings in excess of costs and estimated earnings on uncompleted contracts	(10,162,772)	(3,315,334)
	<u>\$ (10,162,772)</u>	<u>\$ (3,205,222)</u>

Contract assets and liabilities at December 31, 2023 and 2022 are as follows:

	2023	2022
<u>Contract Assets</u>		
Retentions receivable - contracts in progress	\$ 6,399,947	\$ 8,433,491
Retentions receivable - completed contracts	116,000	115,999
Costs and estimated earnings in excess of billings on uncompleted contracts	-0-	110,112
Total Contract Assets	<u>\$ 6,515,947</u>	<u>\$ 8,659,602</u>
<u>Contract Liabilities</u>		
Retentions payable	\$ 6,382,514	\$ 6,828,196
Billings in excess of costs and estimated earnings on uncompleted contracts	10,162,772	3,315,334
Total Contract Liabilities	<u>\$ 16,545,286</u>	<u>\$ 10,143,530</u>

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 4: Marketable Securities

The fair value of marketable securities is determined based on quoted prices in active markets. Information pertaining to marketable securities at December 31, 2023 and 2022 is as follows:

Investments at Fair Value as of December 31, 2023			
	Cost	Unrealized Gains	Fair Value
Money market funds	\$ 250,659	\$ -0-	\$ 250,659
Fixed-income mutual funds	2,548,320	32,017	2,580,337
Corporate equities	870,922	104,636	975,558
	<u>\$ 3,669,901</u>	<u>\$ 136,653</u>	<u>\$ 3,806,554</u>

Investments at Fair Value as of December 31, 2022			
	Cost	Unrealized Losses	Fair Value
Fixed-income mutual funds	\$ 283,300	\$ (30,507)	\$ 252,793
Corporate equities	1,234,282	(95,470)	1,138,812
	<u>\$ 1,517,582</u>	<u>\$ (125,977)</u>	<u>\$ 1,391,605</u>

Note 5: Fair Value Measurements

Generally accepted accounting principles establishes a framework for measuring fair value. The framework provides 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in the active markets.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quotes prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's 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.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 5: Fair Value Measurements (Continued)

The Company's investments in mutual funds and corporate equity securities, which are valued on the balance sheet date at the closing sales price reported on the active market on which the individual security is traded, are classified as level 1 in the hierarchy above.

In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to the fair value measurement standard.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment Income (Loss): Net income (loss) on investments included in the combined statements of income for the years ended December 31, 2023 and 2022 consisted of the following:

	2023	2022
Interest and dividend income	\$ 35,487	\$ 42,955
Net unrealized gain (loss)	258,225	(252,449)
Net realized loss	(105,156)	(9,832)
Net realized gain (loss) on cash equivalents	(24,169)	28,154
Investment fees	(22,106)	(22,467)
	<u>\$ 142,281</u>	<u>\$ (213,639)</u>

Note 6: Loans Receivable

In June 2018, the Company advanced monies to an unrelated entity in the amount of \$855,000. The loan is noninterest-bearing and unsecured. The original loan required monthly principal payments of \$14,250 over a 60-month period. Payment is not expected in the next 12 months; thus, the balance is included in other assets. As of December 31, 2023 and 2022, the outstanding balance amounted to \$57,637.

In January 2023, the Company advanced monies to an unrelated entity in the amount of \$150,000. As of December 31, 2023, the outstanding balance amounted to \$150,000. Subsequent to year end, the balance was collected in full.

Note 7: Short-Term Bank Borrowings

The Company has a \$3,000,000 line of credit with Sandy Spring Bank for working capital purposes. Amounts outstanding under the credit facility are payable on demand and bear interest at the Wall Street Journal Prime rate minus 0.375% (8.125% and 7.125% as of December 31, 2023 and 2022, respectively). Advances are secured by a lien on substantially all of the assets of the Company. There were no outstanding borrowings under the line of credit at December 31, 2023 and 2022.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 8: Paycheck Protection Program Note Payable

The Company applied for and received funds in the amount of \$1,068,097 under the Paycheck Protection Program (PPP) which was created as a result of the coronavirus pandemic. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during either the eight-week or 24-week period, commencing on the date of the loan agreement (February 5, 2021). Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period. However, the beginning date of the repayment of principal period has been extended until 10 months after the end of the eight-week or 24-week period. The loan calls for monthly principal and interest payments beginning on the date forgiveness is determined by the Small Business Administration (SBA) through maturity of February 5, 2026, five years from date of the note. Although the loan has been presented as a debt obligation as of December 31, 2023 and 2022 on the balance sheets, the Company applied for forgiveness in 2021 and it is the Company's position that the entire PPP loan will qualify for forgiveness.

Note 9: Long-Term Debt

Long-term debt as of December 31, 2023 and 2022 consists of the following obligations:

	2023	2022
Note payable - CAT Financial, payable in monthly principal installments of \$2,076 through January 2025, 0% interest, secured by equipment having a cost of \$124,558.	\$ 26,988	\$ 51,899
Note payable - Wells Fargo, payable in monthly principal installments of \$3,379 through January 2024, 0% interest, secured by equipment having a cost of \$161,912.	3,369	43,651
Notes payable - Ford Motor Credit, payable in monthly principal installments ranging from \$467 to \$1,031 through October 2028, interest ranging from 0% to 2.90%, secured by equipment having a cost of \$187,704.	58,892	27,984
Notes payable - Land Rover, payable in monthly principal installments of \$1,181 through May 2029, 5.34% interest, secured by equipment having a cost of \$100,064.	66,485	-0-
Total	155,734	123,534
Less: Current Maturities	56,291	86,227
Non-Current Maturities	\$ 99,443	\$ 37,307

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 9: Long-Term Debt (Continued)

The aggregate annual maturities of long-term debt subsequent to December 31, 2023, by fiscal years, are as follows:

2024	\$ 56,291
2025	23,760
2026	22,612
2027	23,584
2028 and thereafter	29,487
	<hr/>
	\$ 155,734

Note 10: Related Party Transactions

Loans Receivable - Related Parties: The Company's stockholder is indebted to the Company as a result of amounts paid on his behalf. These advances are unsecured, due on demand, and noninterest bearing. The balance due from stockholder at December 31, 2023 and 2022 was \$342,815 and \$256,803, respectively.

Additionally, the Company has a working capital loan to a real estate investment company that is owned by the stockholder. The loan is unsecured, due on demand, and bears interest at 5.50%. Interest income for the years ended December 31, 2023 and 2022 includes \$527,174 and \$449,710, respectively, related to this loan. Management does not expect the amounts to be repaid prior to December 31, 2024; therefore, the total amount due under these loans is reported as a noncurrent asset in the accompanying balance sheet. The balance due as of December 31, 2023 and 2022 was \$10,303,130 and \$8,934,508, respectively.

Due to Stockholder: As of December 31, 2023 and 2022, the Company is indebted to its stockholder in the amount of \$2,571,689 and \$2,577,440, respectively. The loan is unsecured, noninterest bearing and due on demand.

Construction Contract with Related Party: The Company had a contract with a related party to renovate a hotel. The final contract price was \$19,380,000 and the Company recognized a gain of \$957 on the project. The contract was performed in 2021. Amounts due from this related party were \$2,201,773 which is reflected as an other asset - contract receivables, net of current portion in the accompanying balance sheets. Management deems the balance fully collectible as of December 31, 2023 and 2022.

Leased Facilities: The Company leases office space, shop space and storage from various entities in which the stockholder has an ownership interest. Two of the leases are month-to-month and the third is in perpetuity. These loans are considered short-term leases and lease assets and liabilities have not been recognized. Total short-term related-party lease expense for the years ended December 31, 2023 and 2022 was \$415,973 and \$450,881, respectively.

Guarantees: The Company is a limited guarantor on a mortgage note payable from Sandy Spring Bank to IMH Columbia, LLC (IMH) totaling approximately \$21,541,000 and \$22,106,000 as of December 31, 2023 and 2022, respectively. Costello's stockholder is the majority owner of IMH. The mortgage loan requires monthly loan payments of principal including interest at 3.65% and matures December 2024. The note is also personally guaranteed by the stockholder of the Company.

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 10: Related Party Transactions (Continued)

The Company is also a limited guarantor on a construction note payable from Sandy Spring Bank to IMH for hotel renovations. The balance of this note payable as of December 31, 2023 and 2022 was approximately \$14,358,000 and \$14,818,000, respectively. The note requires monthly payments of principal and interest through December 2024 when the construction note matures. The Company's guaranty of the mortgage and construction loan was limited to \$2,000,000 upon the deposit by IMH of \$3,000,000 cash into an escrow account with the lender. As of December 31, 2023 and 2022, the loan payments on the mortgage and construction note payable are current.

Note 11: Retirement Plan

The Company sponsors a retirement plan where all employees over 21 years of age are eligible to participate after completing one year of employment. The Company matched up to 3% of the employee's compensation plus 50% of employees' compensation in excess of 3% not to exceed 5%. The Company's contributions were \$37,931 and \$31,065 for the years ended December 31, 2023 and 2022, respectively.

Note 12: Captive Insurance Company

The Company is a member of an offshore captive insurance company having approximately 200 members. The captive provides reinsurance coverage for the Company's workers' compensation and general liability insurance coverage. Premium payments made under the agreement are based upon an actuarially determined forecast of expected losses. Claims in excess of these specified premiums can be allocated among all members of the captive insurance group. As of both December 31, 2023 and 2022, deposits consist of \$211,777, relating to the Company's membership in the captive.

Note 13: Backlog

Following is pertinent information with respect to the Company's backlog as of December 31, 2023 and 2022:

	2023	2022
Backlog - beginning of year	\$ 93,811,832	\$ 78,624,000
Contracts entered into during the year (including adjustments to prior years' contracts)	23,345,204	86,954,739
	117,157,036	165,578,739
Less: Contract revenue earned during the year	60,400,960	71,766,907
Backlog - end of year	<u>\$ 56,756,076</u>	<u>\$ 93,811,832</u>

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 14: Operating Leases

On January 1, 2022, the Company adopted ASC 842. During the year ended December 31, 2023, the Company entered into a non-cancelable operating lease which expires in 2028 with the option to extend to 2029. The lease requires monthly payments of \$740. The Company has recorded a right-of-use asset for \$47,263, which is being amortized over the life of the lease and an offsetting lease liability of \$47,263.

The Company's total lease expense for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Lease expense	\$ 4,440	\$ -0-
Short-term lease expense	6,119	13,554
Related party lease expense (Note 10)	415,973	450,881
Variable lease expense	-0-	392
	<u>\$ 426,532</u>	<u>\$ 464,827</u>

As of December 31, 2023, right-of-use assets and operating lease liabilities related to operating leases were as follows:

Operating lease right-of-use asset	<u>\$ 43,754</u>
Operating lease liabilities:	
Current maturities of operating lease liabilities	\$ 7,236
Operating lease liabilities, net of current maturities	<u>36,520</u>
Total operating lease liabilities	<u>\$ 43,756</u>

Other lease details are as follows:

Weighted average remaining lease term in years	5.49
Weighted average discount rate	4.13%

As of December 31, 2023, future minimum lease payments under operating leases are as follows:

2024	\$ 8,876
2025	8,876
2026	8,876
2027	8,876
2028 and thereafter	<u>13,316</u>
Total	<u>48,820</u>
Less: Amount representing interest	<u>5,064</u>
Present value of future minimum lease payments	<u>\$ 43,756</u>

COSTELLO CONSTRUCTION OF MARYLAND, INC. AND AFFILIATE
Notes to Combined Financial Statements
December 31, 2023 and 2022

Note 15: Prior Period Adjustments

During the year ended December 31, 2022, it was determined prepaid insurance and accrued insurance expense had not been recorded properly in prior years. Additionally, the loans receivable - related party did not include all transactions with the related party as certain expenses of the related party were erroneously expensed on the Company's income statement. An adjustment to other current assets of \$139,681, loan receivables- related parties of \$579,172 and accrued expenses of \$79,874 was recorded as of January 1, 2022.

Note 16: Other Matters

Uninsured Balances: The Company maintains its cash balances at various financial institutions. The cash balances generally exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Concentrations: Approximately 92% and 99% of the Company's contract revenue for the years ended December 31, 2023 and 2022, respectively, was attributable to three customers. Approximately 90% and 85% of the Company's contract receivables as of December 31, 2023 and 2022, respectively, were due from three customers.

Legal Matters: The Company is periodically involved in legal proceedings incidental to its normal business activities. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding legal claims will not have a material adverse effect on the Company's combined financial position or results of operations.



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**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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Independent Auditor's Report

To the Board of Directors
Costello Construction of Maryland, Inc. and Costello Construction, Inc.

Opinion

We have audited the accompanying combined financial statements of Costello Construction of Maryland, Inc. and Costello Construction, Inc. (S corporations), which comprise the combined balance sheet as of December 31, 2022, and the related combined statements of income, stockholder's equity, and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial positions of Costello Construction of Maryland, Inc. and Costello Construction, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Costello Construction of Maryland, Inc. and Costello Construction, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Costello Construction of Maryland, Inc. and Costello Construction, Inc.'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Costello Construction of Maryland, Inc. and Costello Construction, Inc.'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.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
August 14, 2023

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
CONSTELLO CONSTRUCTION INC.
Combined Balance Sheet
December 31, 2022**

Assets

Current Assets

Cash and cash equivalents	\$ 17,552,789	
Contract receivables	8,990,027	
Costs and estimated earnings in excess of billings on uncompleted contracts	110,112	
Retentions receivable	8,549,490	
Marketable securities	1,391,605	
Loans receivable	57,637	
Other current assets	152,552	
Total Current Assets		\$ 36,804,212

Property

Construction equipment	1,636,077	
Automotive equipment	1,098,063	
Office furniture and equipment	204,498	
Leasehold improvements	274,057	
Total	3,212,695	
Less: Accumulated depreciation	2,720,138	
Net Property		492,557

Other Assets

Deposits	211,777	
Loans receivable - related parties	9,191,311	
Total Other Assets		9,403,088

Total Assets

\$ 46,699,857

Liabilities and Stockholder's Equity

Current Liabilities

Accounts payable	\$ 8,662,378	
Accrued expenses	195,587	
Billings in excess of costs and estimated earnings on uncompleted contracts	3,315,334	
Retentions payable	6,828,196	
Paycheck protection program note payable	1,068,097	
Current maturities of long-term debt	86,227	
Due to stockholder	<u>2,577,440</u>	
Total Current Liabilities		\$ 22,733,259

Long-Term Debt, net of current maturities	<u>37,307</u>
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Total Liabilities	<u>22,770,566</u>
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Commitments and Contingencies (Notes 9, 10, 11 and 14)

Stockholder's Equity

Common stock, without par value:	
Authorized - 2,000 shares	
Issued and outstanding - 360 shares	260,000
Retained earnings	<u>23,669,291</u>
Total Stockholder's Equity	<u>23,929,291</u>

Total Liabilities and Stockholder's Equity	<u><u>\$ 46,699,857</u></u>
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The accompanying notes are an integral part of this financial statement.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
CONSTELLO CONSTRUCTION INC.
Combined Statement of Income
Year Ended December 31, 2022**

Contract Revenues Earned	\$ 71,766,907	100.0%
Cost of Revenues Earned	<u>64,043,549</u>	<u>89.2</u>
Gross Profit	7,723,358	10.8
Operating Expenses	<u>2,696,984</u>	<u>3.8</u>
Income from Operations	<u>5,026,374</u>	<u>7.0</u>
Other Income (Expense)		
Net interest income	449,710	.6
Miscellaneous income	35,910	.1
Gain on sale of property	21,414	-
Net loss on investments	<u>(213,639)</u>	<u>(.3)</u>
Net Other Income	<u>293,395</u>	<u>.4</u>
Net Income	<u>\$ 5,319,769</u>	<u>7.4%</u>

The accompanying notes are an integral part of this financial statement.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
CONSTELLO CONTRUCTION INC.
Combined Statement of Stockholder's Equity
Year Ended December 31, 2022**

	Common Stock	Retained Earnings	Total Stockholder's Equity
Balances - January 1, 2022	\$ 260,000	\$ 18,476,353	\$ 18,736,353
Prior period adjustment (see Note 13)	-0-	798,727	798,727
Balances - January 1, 2022, as restated	260,000	19,275,080	19,535,080
Net income for the year ended December 31, 2022	-0-	5,319,769	5,319,769
Stockholder distributions	-0-	(925,558)	(925,558)
Balances - December 31, 2022	<u>\$ 260,000</u>	<u>\$ 23,669,291</u>	<u>\$ 23,929,291</u>

The accompanying notes are an integral part of this financial statement.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
CONSTELLO CONSTRUCTION INC.
Combined Statement of Cash Flows
Year Ended December 31, 2022**

Cash Flows from Operating Activities

Net income	\$ 5,319,769	
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	150,594	
Unrealized loss on marketable securities	252,449	
Realized loss on marketable securities	9,832	
Gain on disposal of property	(21,414)	
Changes in operating assets and liabilities:		
Contract receivables	4,741,914	
Costs and estimated earnings in excess of billings on uncompleted contracts	3,382,492	
Retentions receivable	(1,948,712)	
Other current assets	5,925	
Accounts payable	(6,634,325)	
Accrued expenses	102,654	
Billings in excess of costs and estimated earnings on uncompleted contracts	1,517,747	
Retentions payable	692,909	
Net Cash Provided by Operating Activities		\$ 7,571,834

Cash Flows from Investing Activities

Purchase of marketable securities	(655,422)	
Proceeds from the sales of marketable securities	664,027	
Purchase of property	(238,420)	
Proceeds from the sales of property	52,000	
Collections on loans receivable	50,000	
Net change in loans receivable - related parties	(2,624,784)	
Loans from stockholder	2,577,440	
Net Cash Used in Investing Activities		(175,159)

Cash Flows from Financing Activities

Principal payments on long-term debt	(105,009)	
Stockholder distributions	(925,558)	
Net Cash Used in Financing Activities		(1,030,567)

Net Increase in Cash and Cash Equivalents

6,366,108

Cash and Cash Equivalents at Beginning of Year

11,186,681

Cash and Cash Equivalents at End of Year

\$ 17,552,789

Supplemental Disclosure of Cash Flow Information:

Interest paid	<u>\$ 89</u>
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The accompanying notes are an integral part of this financial statement.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 1: Nature of Organization and Summary of Significant Accounting Policies

Costello Construction of Maryland, Inc. (Costello), a Maryland corporation formed in 1995, is a general contractor operating primarily within the Washington, D.C. metropolitan area. Most work is performed under fixed-price contracts. Costello Construction, Inc. (CCI), is a Maryland corporation formed in 1993, to lease vehicles and construction equipment to Costello. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Principles of Combination: The accompanying combined financial statements include accounts of Costello and CCI, herein collectively referred to as "the Company". All intercompany balances and transactions have been eliminated in combination.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and Cost Recognition of Construction Contracts and Significant Judgments: Revenues from fixed-price contracts are recognized using the cost-to-cost input method, which measures progress toward completion based on the percentage of cost incurred to date to estimated total cost for each contract. Contract costs include all direct costs and those indirect costs related to contract performance. Operating expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and income, the effects of which are recognized in the period in which the revisions are determined.

Performance Obligations: The Company recognizes construction contract revenue for financial reporting purposes over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Construction contracts are generally accounted for as a single unit of account (a single performance obligation) and are not segmented between types of services. The Company recognizes revenue using the cost-to-cost input method, based primarily on contract cost incurred to date compared to total estimated contract cost, which requires significant judgment. The cost-to-cost input method is used because management considers total cost to be the best available measure of progress on contracts.

If long-term contracts extend over one or more years, revisions in cost and profit estimates during the course of the work are reflected in the accounting period in which the revisions become known. Change orders are included in contract amounts when they receive final approval or as work is completed if only preliminary approval has been obtained. Claims are not included in the contract amount until received unless otherwise noted. Profits on time and material jobs (T&M) are recorded as the work is performed. At the time a loss on a contract becomes known, the entire amount of the estimated ultimate loss is accrued.

The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

Cash and Cash Equivalents: The Company classifies all investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contract Receivables: Contract receivables are recorded based on contracted prices when the Company obtains an unconditional right to payment under terms of our contracts, net of any allowance for doubtful accounts. Contract receivables are generally due within 30 days. A provision is made for doubtful accounts based on anticipated collection losses. The estimated losses are determined from a review of outstanding receivables, historical collection experience, and existing economic conditions. The Company has not recorded an allowance for doubtful accounts as of December 31, 2022, since in the opinion of management, all outstanding receivables are collectible. Contract receivables are written off based on individual credit evaluation and specific circumstances of the customer. The Company does not require collateral or other security to support receivables.

Retention Receivables: Retention receivables represent the amounts withheld from billings by clients pursuant to provisions in the contracts and may not be paid to the Company until the completion of specific tasks or the completion of the project and, in some instances, for even longer periods.

Marketable Securities: Investments with readily determinable fair values are reported at fair value. Investments whose fair values are not readily available are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in earnings.

Property and Depreciation: Property is stated at cost, less accumulated depreciation. Expenditure for maintenance and routine repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 2022 was \$150,594. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Assets</u>	<u>Lives</u>
Construction equipment	5 - 7 years
Automotive equipment	5 - 7 years
Office furniture and equipment	3 - 7 years
Leasehold improvements	10 years

Advertising: Cost associated with advertising and promotion are expensed in the year incurred. Advertising expense is included in operating expenses on the accompanying combined statement of income and totaled \$54,426 for the year ended December 31, 2022.

Income Taxes: The Company has elected to have its income taxed under provisions of Subchapter S of the Internal Revenue Code. Under those provisions, which are also applicable to most states in which the Company operates, the stockholders report the income or loss of the Company in their stockholding ratios on their personal income tax returns and the Company generally pays no income taxes. Any state income taxes incurred by the Company are included in operating expenses on the combined statement of income. The Company's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Standard: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842), which was effective for fiscal years beginning after December 15, 2021. The distinction between finance leases (previously capital leases) and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous lease guidance. Adoption of the new standard is disclosed in Note 9. The adoption did not have a material impact on the Company's financial statements.

Subsequent Events: In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through August 14, 2023, the date the financial statements were available to be issued. During the period from January 1, 2023 to August 14, 2023, the Company did not have any material recognizable subsequent events.

Note 2: Contract Receivables

Contract receivables consist of the following at December 31, 2022:

Billings on completed contracts	\$ 2,381,556
Billings on contracts in progress	6,445,246
Unbilled receivables	<u>163,225</u>
	<u><u>\$ 8,990,027</u></u>

Note 3: Contract Assets and Liabilities

Contract assets include retentions receivable and unbilled amounts typically resulting from revenue under long-term contracts when the cost-to-cost input method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Contract liabilities include retentions payable and amounts billed to clients in excess of revenue recognized to date.

Following is pertinent information with respect to contracts in progress as of December 31, 2022:

Costs incurred on uncompleted contracts	\$ 162,603,754
Estimated earnings on uncompleted contracts	<u>15,698,349</u>
	178,302,103
Less: Billings to date	<u>181,507,325</u>
	<u><u>\$ (3,205,222)</u></u>

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 3: Contract Assets and Liabilities (Continued)

The preceding amounts are included in the accompanying combined balance sheet as follows:

Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 110,112
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>(3,315,334)</u>
	<u>\$ (3,205,222)</u>

Contract assets and liabilities at December 31, 2022 are as follows:

<u>Contract Assets</u>	
Retentions receivable - contracts in progress	\$ 8,433,491
Retentions receivable - completed contracts	115,999
Costs and estimated earnings in excess of billings on uncompleted contracts	<u>110,112</u>
Total Contract Assets	<u>\$ 8,659,602</u>
<u>Contract Liabilities</u>	
Retentions payable	\$ 6,828,196
Billings in excess of costs and estimated earnings on uncompleted contracts	<u>3,315,334</u>
Total Contract Liabilities	<u>\$ 10,143,530</u>

Note 4: Marketable Securities and Fair Value Measurement

The fair value of marketable securities is determined based on quoted prices in active markets. Information pertaining to marketable securities at December 31, 2022 is as follows:

	Cost	Unrealized Losses	Fair Value
Fixed-income mutual funds	\$ 283,300	\$ (30,507)	\$ 252,793
Corporate equities	1,234,282	(95,470)	1,138,812
	<u>\$ 1,517,582</u>	<u>\$ (125,977)</u>	<u>\$ 1,391,605</u>

Generally accepted accounting principles establishes a framework for measuring fair value. The framework provides 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in the active markets.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 4: Marketable Securities and Fair Value Measurement (Continued)

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quotes prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's 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.

The Company's investments in mutual funds and corporate equity securities, which are valued on the balance sheet date at the closing sales price reported on the active market on which the individual security is traded, are classified as level 1 in the hierarchy above.

In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to the fair value measurement standard.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumption to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment Income (Loss): Net loss on investments for the year ended December 31, 2022 consisted of the following:

Interest and dividend income	\$ 42,955
Net unrealized losses	(252,449)
Net realized losses	(9,832)
Net realized gain on cash equivalents	28,154
Investment fees	(22,467)
	<u>\$ (213,639)</u>

Note 5: Loans Receivable

In June 2018, the Company advanced monies to an unrelated entity in the amount of \$855,000. The loan is noninterest-bearing and unsecured. The loan requires monthly principal payments of \$14,250 over a 60-month period through June 2023. As of December 31, 2022, the outstanding balance amounted to \$57,637.

In 2020, the Company loaned \$50,000 to an unrelated entity. The loan was repaid in full as of December 31, 2022.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 6: Short-Term Bank Borrowings

The Company has a \$3,000,000 line of credit with Sandy Spring Bank for working capital purposes. Amounts outstanding under the credit facility are payable on demand and bear interest at the Wall Street Journal Prime rate minus 0.375% (7.125% as of December 31, 2022). Advances are secured by a lien on substantially all of the assets of the Company. There were no outstanding borrowings under the line of credit at December 31, 2022.

Note 7: Paycheck Protection Program Note Payable

During the year ending December 31, 2021, the Company applied for and received funds in the amount of \$1,068,097 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) which is a Federal Government program created to aid businesses that have been negatively impacted as a result of the coronavirus pandemic. The funds were considered a forgivable grant or loan, assuming certain qualified expenses, primarily payroll related expenses, were incurred during either an eight-week or 24-week period, commencing on the date of the loan agreement (February 5, 2021). Any portion of this grant that did not qualify for forgiveness was considered a loan and was subject to an interest rate of 1%. The grant document (as amended) required monthly principal installments plus interest over an eighteen-month period commencing 10 months after the end of the eight-week or 24-week period. The Company applied for full forgiveness of the PPP loan in December 2021. As of December 31, 2022, management believes that the loan will qualify for forgiveness. The balance of the PPP loan has been classified as a current liability on the combined balance sheet.

Note 8: Long-Term Debt

Long-term debt as of December 31, 2022 consists of the following obligations:

Note payable - CAT Financial, payable in monthly principal installments of \$2,076 through January 2025, 0% interest, secured by equipment having a cost of \$124,558.	\$ 51,899
Note payable - Wells Fargo, payable in monthly principal installments of \$3,379 through January 2024, 0% interest, secured by equipment having a cost of \$161,912.	43,651
Notes payable - Ford Motor Credit, payable in monthly principal installments ranging from \$467 to \$1,031 through July 2024, 0% interest, secured by equipment having a cost of \$135,604.	<u>27,984</u>
Total	123,534
Less: Current Maturities	<u>86,227</u>
Non-Current Maturities	<u><u>\$ 37,307</u></u>

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 8: Long-Term Debt (Continued)

The aggregate annual maturities of long-term debt subsequent to December 31, 2022, by fiscal years, are as follows:

2023	\$ 86,227
2024	35,230
2025	<u>2,077</u>
	<u>\$ 123,534</u>

Note 9: Related Party Transactions

Loans Receivable - Related Parties: The Company's stockholder is indebted to the Company as a result of amounts paid on his behalf. These advances are unsecured, due on demand, and noninterest bearing. The balance due from stockholder at December 31, 2022 was \$256,803.

Additionally, the Company has a working capital loan to a real estate investment company that is owned by the stockholder. The amount due under this loan as of December 31, 2022 was \$8,934,508. The loan is unsecured, due on demand, and bears interest at 5.50%. Interest income for the year ended December 31, 2022 was \$449,710. Management does not expect the amounts to be repaid prior to December 31, 2023; therefore, the total amount of \$9,191,311 due under these loans is reported as a noncurrent asset in the accompanying balance sheet.

Due to Stockholder: As of December 31, 2022, the Company is indebted to its stockholder in the amount of \$2,577,440. The loan is unsecured, noninterest bearing and due on demand.

Construction Contract with Related Party: The Company had a contract with a related party to renovate a Sheraton. The final contract price was \$19,380,000 and the Company recognized a loss of \$41,230 on the project. The contract was performed in 2021. Amounts due from this related party were \$2,201,773 which is reflected in contract receivables in the accompanying combined balance sheet. Management deems the balance fully collectible as of December 31, 2022.

Leased Facilities: The Company leases office space, shop space and storage from various entities in which the stockholder has an ownership interest. Two of the leases are month-to-month and the third is in perpetuity. ASC 842 has not been applied to these leases. Total short-term related-party lease expense for the year ended December 31, 2022 was \$450,881.

Guarantees: The Company is a limited guarantor on a mortgage note payable from Sandy Spring Bank to IMH Columbia, LLC, d/b/a Sheraton Columbia Town Center Hotel (IMH) totaling approximately \$22,106,000 as of December 31, 2022. Costello's stockholder is the majority owner of IMH. The mortgage loan requires monthly loan payments of principal including interest at 3.65% and matures December 2024. The note is also personally guaranteed by the stockholder of the Company.

The Company is also a limited guarantor on a construction note payable from Sandy Spring Bank to IMH for hotel renovations. The balance of this note payable as of December 31, 2022 was approximately \$14,818,000. The note requires monthly payments of principal and interest through December 2024 when the construction note matures. The Company's guaranty of the mortgage and construction loan was limited to \$2,000,000 upon deposit of \$3,000,000 cash into an escrow account with the lender.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 10: Retirement Plan

The Company sponsors a retirement plan where all employees over 21 years of age are eligible to participate after completing one year of employment. In 2022, the Company matched up to 3% of the employee's compensation plus 50% of employees' compensation in excess of 3% not to exceed 5%. The Company's contributions were \$31,065 for the year ended December 31, 2022.

Note 11: Captive Insurance Company

The Company is a member of an offshore captive insurance company having approximately 200 members. The captive provides reinsurance coverage for the Company's workers' compensation and general liability insurance coverage. Premium payments made under the agreement are based upon an actuarially determined forecast of expected losses. Claims in excess of these specified premiums can be allocated among all members of the captive insurance group. As of December 31, 2022, deposits consist of \$211,777 relating to the Company's membership in the captive.

Note 12: Backlog

Following is pertinent information with respect to the Company's backlog as of December 31, 2022:

Backlog - beginning of year	\$ 78,624,000
Contracts entered into during the year (including adjustments to prior years' contracts)	<u>86,954,739</u>
	165,578,739
Less: Contract revenue earned during the year	<u>71,766,907</u>
Backlog - end of year	<u><u>\$ 93,811,832</u></u>

Note 13: Prior Period Adjustments

During the year ended December 31, 2022, it was determined prepaid insurance and accrued insurance expense had not been recorded properly in prior years. Additionally, the loans receivable - related party did not include all transactions with the related party as certain expenses of the related party were erroneously expensed on the Company's income statement. An adjustment to other current assets of \$139,681, loan receivables- related parties of \$579,172 and accrued expenses of \$79,874 was recorded as of January 1, 2022.

**COSTELLO CONSTRUCTION OF MARYLAND, INC. AND
COSTELLO CONSTRUCTION, INC.
Notes to Combined Financial Statements
December 31, 2022**

Note 14: Other Matters

Uninsured Balances: The Company maintains its cash balances at various financial institutions. The cash balances generally exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Concentrations: Approximately 99% of the Company's contract revenue for the year ended December 31, 2022 was attributable to three customers. Approximately 85% of the Company's contract receivables for the year ended December 31, 2022 were due from three customers.

Legal Matters: The Company is periodically involved in legal proceedings incidental to its normal business activities. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding legal claims will not have a material adverse effect on the Company's combined financial position or results of operations.



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COSTELLO CONSTRUCTION OF MARYLAND, INC.
AND COSTELLO CONSTRUCTION, INC.
Columbia, Maryland

Combined Financial Statements
For the years ended December 31, 2021 and 2020

and Independent Auditor's Report Thereon



Big Thinking. Personal Focus.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Members
Costello Construction of Maryland, Inc. and Costello Construction, Inc.
Columbia, Maryland

Opinion

We have audited the accompanying combined financial statements of Costello Construction of Maryland, Inc. and Costello Construction, Inc. (Company), which comprise the combined balance sheets as of December 31, 2021, and the related combined statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined 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.

Other Matter

The financial statements of Costello Construction of Maryland, Inc. and Costello Construction, Inc. as of and for the year ended December 31, 2020 were audited by other auditors who expressed an unmodified opinion on those combined financial statements on April 29, 2021.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 combined financial statements are available to be issued.

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Auditor's Responsibility for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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, including omissions, 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 combined financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
July 13, 2022

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COSTELLO CONSTRUCTION OF MARYLAND, INC.
AND COSTELLO CONSTRUCTION, INC.
COMBINED BALANCE SHEETS

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,186,681	\$ 9,084,523
Contracts receivable	13,731,941	8,800,562
Contract assets	10,093,382	8,551,829
Investments	1,662,491	1,271,422
Other current assets	18,796	57,118
Total Current Assets	<u>36,693,291</u>	<u>27,765,454</u>
 Property and Equipment, Net	 435,317	 334,448
 Other Assets		
Deposits	211,774	193,750
Loans receivable	107,637	107,637
Loans receivable - related parties	5,987,355	2,064,160
Total Other Assets	<u>6,306,766</u>	<u>2,365,547</u>
	<u>\$ 43,435,374</u>	<u>\$ 30,465,449</u>

See notes to consolidated financial statements.

	December 31	
	2021	2020
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 15,469,507	\$ 7,672,228
Contract liabilities	7,932,874	6,620,360
Paycheck Protection Program loan	1,068,097	1,068,097
Current portion of notes payable	105,011	48,070
Total Current Liabilities	24,575,489	15,408,755
Noncurrent Liabilities		
Notes payable	123,532	38,270
Total Liabilities	24,699,021	15,447,025
EQUITY		
Common stock, no par value; 2,000 shares authorized; 360 shares issued and outstanding	260,000	260,000
Retained earnings	18,476,353	14,758,424
Total Stockholder's Equity	18,736,353	15,018,424
Total Liabilities and Stockholder's Equity	\$ 43,435,374	\$ 30,465,449

See notes to consolidated financial statements.

COSTELLO CONSTRUCTION OF MARYLAND, INC.
AND COSTELLO CONSTRUCTION, INC.
COMBINED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Contract revenues	\$ 82,303,764	100.0 %	\$ 60,130,116	100.0 %
Cost of contract revenues	<u>76,753,529</u>	<u>93.3</u>	<u>53,845,205</u>	<u>89.5</u>
Gross Profit	5,550,235	6.7	6,284,911	10.5
General and administrative expenses	<u>2,566,544</u>	<u>3.1</u>	<u>3,168,901</u>	<u>5.3</u>
Income From Operations	2,983,691	3.6	3,116,010	5.2
Paycheck Protection Program loan forgiveness	1,068,097	1.3	-	-
Other income, net	<u>101,226</u>	<u>0.1</u>	<u>223,159</u>	<u>0.4</u>
Net Income	4,153,014	<u>5.0 %</u>	3,339,169	<u>5.6 %</u>
Retained Earnings, Beginning of Year	14,758,424		11,801,821	
Distributions	<u>(435,085)</u>		<u>(382,566)</u>	
Retained Earnings, End of Year	<u>\$ 18,476,353</u>		<u>\$ 14,758,424</u>	

See notes to consolidated financial statements.

COSTELLO CONSTRUCTION OF MARYLAND, INC.
AND COSTELLO CONSTRUCTION, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,153,014	\$ 3,339,169
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	202,758	280,062
Unrealized (gain) loss on investment securities	(125,761)	10,527
Realized gain on investment securities	(42,506)	(23,776)
Changes in deferred rent	-	(12,944)
Paycheck Protection Program loan forgiveness	(1,068,097)	-
Changes in assets and liabilities:		
Contracts receivable	(4,931,379)	(3,950,229)
Contract assets	(1,541,553)	5,503,860
Other current assets	38,322	76,418
Accounts payable and accrued expenses	13,932,566	204,036
Contract liabilities	(4,822,773)	(2,022,531)
Net Cash Provided By Operating Activities	<u>5,794,591</u>	<u>3,404,592</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(1,478,129)	(1,316,153)
Proceeds from the sale of investment securities	1,255,327	57,980
Purchases of property and equipment	(303,627)	(4,937)
Deposit paid in cash	(18,024)	(51,267)
Cash advanced on loan receivables	-	(278,588)
Cash received on loan receivables	-	832,862
Cash advanced on loan receivables - related parties	(3,923,195)	-
Net Cash Used In Investing Activities	<u>(4,467,648)</u>	<u>(760,103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program	1,068,097	1,068,097
Proceeds from long-term debt	198,112	-
Principal amount paid on notes payable	(55,909)	(68,440)
Distributions	(435,085)	(382,566)
Net Cash Provided By Financing Activities	<u>775,215</u>	<u>617,091</u>
Net Increase In Cash	2,102,158	3,261,580
CASH		
Beginning of year	<u>9,084,523</u>	<u>5,822,943</u>
End of year	<u>\$ 11,186,681</u>	<u>\$ 9,084,523</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,000</u>	<u>\$ 2,400</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Cost of property and equipment acquired	<u>-</u>	<u>\$ 5,000</u>

COSTELLO CONSTRUCTION OF MARYLAND, INC.
AND COSTELLO CONSTRUCTION, INC.
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NOTE 1 - ORGANIZATION

Costello Construction of Maryland, Inc. (Costello), a Maryland S corporation organized in 1995, is a general contractor engaged in general construction activities primarily within the Washington, D.C. metropolitan area.

Costello Construction, Inc. (CCI), a Maryland S corporation organized in 1993, leases vehicles and construction equipment to Costello.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying combined financial statements follows:

Use of Estimates - The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination - The accompanying combined financial statements include accounts of Costello and CCI. All intercompany balances and transactions have been eliminated in combination.

Income Taxes - The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporate federal income taxes, the stockholders of an S corporation are taxed on their proportionate share of the entity's taxable income. No provision or liability for income taxes has been included in these combined financial statements.

Accounting for Uncertainty in Income Taxes - The Company adopted the Accounting for Uncertainty in Income Taxes standard established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which requires the recognition and measurement of uncertain tax positions taken or expected to be taken by the Company in the preparation of its tax returns. The Company determines whether it is more-likely-than-not that a certain tax position will be sustained upon examination by a taxing authority. If an uncertain tax position is less-likely-than-not to be sustained, an estimate of the potential effect is recognized in the combined financial statements and the uncertain tax position is required to be disclosed.

The Company has determined that as of December 31, 2021 and including all prior tax years subject to examination, no material adjustments were required in the combined financial statements for tax positions less-likely-than-not to be sustained upon examination by a taxing authority. The Company believes it is no longer subject to income tax examinations for years prior to 2018.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition - The Company recognizes revenue and costs in accordance with ASC 2014-09, Revenue from Contracts with Customers (ASC 606), which provides a five-step model for recognizing revenue from contracts:

- Identify the contract with the customer
- Identify the performance obligation within the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligation
- Recognize revenue when (or as) the performance obligation(s) is/are satisfied

Performance Obligations and Recognition Method

The Company evaluates whether two or more contracts should be combined and accounted for as one single performance obligation and whether a single contract should be accounted for as more than one performance obligation. ASC 606 defines a performance obligation as a contractual promise to transfer a distinct good or service to a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when or as the performance obligation is satisfied. The Company's evaluation requires significant judgment, and the decision to combine a group of contracts or separate a contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. The majority of the Company's contracts have a single performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contract and, therefore, is not distinct. The Company historically does not have contracts with multiple performance obligations.

Revenue related to contracts with customers is recognized over time as work is completed due to the continuous transfer of control to the customer, typically using an input measure like costs incurred to date relative to total estimated costs at completion to measure progress. Costs that do not depict progress toward satisfaction of the performance obligation are included in contract costs, but may not result in revenue being recognized, for example, when such costs are attributable to significant unanticipated inefficiencies that were not included in the price of the contract or significant rework. At times, costs may be incurred that are not reflective of the Company's progress towards satisfaction of the performance obligation, which may result in revenue being recognized only to the extent of such costs without any profit. For example; (1) uninstalled materials that are not distinct; (2) control is transferred to the customer significantly before integration of the goods into the project; (3) cost of the transferred goods are significant relative to the total estimated costs of satisfying the performance obligation; and (4) the Company is not significantly involved in designing or manufacturing the goods.

Revenue from contracts with customers is measured based on consideration specified in a contract and excludes any amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction; and that are collected by the Company from a customer, are excluded from revenue.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's contract revenues are derived primarily from cost-plus-fee contracts and fixed-price contracts. The Company has determined that, generally, these fixed-price construction projects provide a distinct service and, therefore, qualify as one performance obligation, as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. Revenue is recognized over time because of the continuous transfer of control to the customer as work is performed at the customer's site and, therefore, the customer controls the asset as it is being constructed. The cost-to-cost measure of progress best depicts the transfer of control of assets to the customer, which occurs as costs are incurred.

Cost of revenues earned includes all direct material and labor costs and those indirect costs related to contract performance, including indirect labor, supplies, tools, repairs and depreciation costs. The cost of significant uninstalled materials, rework or scrap is generally excluded from the cost-to-cost measure of progress, as it is not proportionate to the entity's progress in satisfying the performance obligation. Costs to fulfill a contract, including mobilization costs prior to substantive work beginning, are capitalized as incurred and amortized over the expected duration of the contract. General and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. The Company has determined that any provisions for estimated losses on uncompleted contracts are not material to the combined financial statements for 2021 and 2020.

The Company's contracts may include retention provisions to provide assurance to customers that the Company will perform in accordance with the contract terms. The retention provisions are not considered a significant financing component. The balances billed but not paid by customers pursuant to these provisions generally become due upon completion and acceptance of the project by the customer. The Company has determined that there are no significant financing components included in construction contracts as of December 31, 2021 or 2020.

Contract Estimates Including Claims, Unapproved Change Orders and Variable Consideration

Accounting for long-term contracts with customers involves the use of various techniques to estimate total transaction price, total estimated costs at completion and progress toward satisfaction of performance obligations, which are used to recognize revenue earned. Unforeseen events and circumstances can alter the estimate of the costs associated with a particular contract. Total estimated costs at completion can be impacted by changes in productivity, scheduling, the unit cost of labor, subcontracts, materials and equipment. External factors such as weather, customer needs, customer delays in providing permits and approvals, labor availability, governmental regulation and politics may affect the progress of a project's completion, and thus the timing and amount of revenue recognition. To the extent that original cost estimates are modified, estimated costs to complete increase, delivery schedules are delayed or progress under a contract is otherwise impeded, cash flow, revenue recognition and profitability from a particular contract may be adversely affected.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The nature of the Company's contracts gives rise to several types of variable consideration, including contract modifications (unapproved change orders and claims), liquidated damages, volume discounts, performance bonuses, shared savings, incentive fees and other terms that can either increase or decrease the transaction price. A transaction price for contracts is required to include evaluation of variable consideration to which the Company has an enforceable right to compensation or obligation for a reduction (as for liquidated damages), which can result in increases or decreases to a contract's transaction price. The Company estimates variable consideration as the most likely amount to which it expects to be entitled. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historic, current and forecasted) that is reasonably available to the Company. The effect of a change in variable consideration on the transaction price of a performance obligation is recognized as an adjustment to revenue on a cumulative catch-up basis.

Contract modifications can result from changes in contract specifications or requirements that either create new or change existing enforceable rights and obligations of the parties to the contract. The Company considers unapproved change orders to be contract modifications for which customers have agreed to changes in the scope of the contract but have not agreed to the price. The Company considers claims to be contract modifications for which the Company has sought, or will seek, to collect from customers or others for customer-caused changes in contract specifications or design, or other customer-related causes of unanticipated additional contract costs on which there is no contractual agreement with the customer for changes in either the scope or price of the contract. Claims can also be caused by noncustomer-caused changes, such as weather delays, work stoppages or other unanticipated events.

Costs associated with contract modifications are included in the estimated costs to complete the contracts and are treated as project costs when incurred. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract. In those instances, the effect of a contract modification on the transaction price, and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. To the extent unapproved change orders and claims reflected in the transaction price are not resolved in the Company's favor, or to the extent other contract provisions reflected in the transaction price are not earned, there could be reductions in or reversals of previously recognized revenue.

As a significant change in one or more of these estimates could affect the revenue and profitability of the Company's long-term construction contracts, the Company reviews and updates contract-related estimates regularly. The Company recognizes adjustments in estimated revenue on contracts on a cumulative catch-up basis, under which the cumulative impact of the revenue adjustment is recognized in the period the adjustment is identified. Revenue in future periods of contract performance is recognized using the adjusted estimate. If at any time the contract estimates indicate an anticipated loss on a contract, the projected loss is recognized in full, including the reversal of any previously recognized profit, in the period it is identified and recognized as an accrued loss on uncompleted contracts on the combined balance sheets. No adjustments resulting from revisions to estimates on any individual contract was material to the combined financial statements for the years ended December 31, 2021 or 2020.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company provides limited warranties for work performed under its contracts that typically extend for a limited duration following substantial completion of work on a project. Such warranties are not sold separately and do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. Accordingly, these types of warranties are not considered to be separate performance obligations. Historically, warranty claims have not resulted in material costs incurred.

Contract Assets and Contract Liabilities

The timing of when the Company bills its customers on long-term construction contracts is generally dependent upon agreed-upon contractual terms, which may include milestone billings based on the completion of certain phases of the work or when services are provided. When, as a result of contingencies, billings cannot occur until after the related revenue has been recognized, the result is in unbilled revenue, which is included in contract assets. Additionally, the Company may receive advances or deposits from customers before revenue is recognized, resulting in deferred revenue, which is included in contract liabilities. Retainage for which the Company has an unconditional right to payment that is only subject to the passage of time is classified as contracts receivable. Retainage subject to conditions other than the passage of time does not meet the definition of a receivable and is therefore included in contract assets and contract liabilities, as determined on a contract-by-contract basis.

Contract assets represent revenues recognized in excess of amounts paid or payable (contract receivables) to the Company on uncompleted contracts. Contract liabilities represent the Company's obligation to perform on uncompleted contracts with customers for which the Company has received payment or for which contract receivables are outstanding. Note 6 provides further information surrounding the composition of contract assets and contract liabilities from contracts with customers.

The following table provides information about contract assets and contract liabilities from contracts with customers as of December 31:

	<u>2021</u>	<u>2020</u>
Revenue recognized in excess of amounts paid or payable (contract receivables) to the Company on uncompleted contracts (contract asset), excluding retainage	\$ 3,492,604	\$ 2,399,876
Retainage included in contract assets due to being conditional on something other than solely passage of time	<u>6,600,778</u>	<u>6,151,953</u>
Total contract assets	<u>\$ 10,093,382</u>	<u>\$ 8,551,829</u>
Payments received or receivable (contract receivables) in excess of revenue recognized on uncompleted contracts (contract liability), excluding retainage	\$ 1,797,587	\$ 1,022,398
Retainage included in contract liabilities due to being conditional on something other than solely the passage of time	<u>6,135,287</u>	<u>5,597,962</u>
Total contract liabilities	<u>\$ 7,932,874</u>	<u>\$ 6,620,360</u>

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For the purpose of reporting cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Financial Credit Risk - The Company maintains cash balances in several financial institutions and their balances may at times exceed the Federal Deposit Insurance Corporation insured limits. The Company has not experienced any losses on such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Company is not exposed to any significant credit risk with respect to its cash balances.

Contract Receivables - Contract receivables include billed and unbilled amounts for services provided to customers for which the Company has an unconditional right to payment. Billed and unbilled amounts for which payment is contingent on anything other than the passage of time are included in the contract assets and contract liabilities on a contract-by-contract basis. When payment of the retainage is contingent upon the Company fulfilling its obligations under the contract, it does not meet the criteria to be included in contracts receivable and remains in the contract's respective contract asset or liability, determined on a contract-by-contract basis. Retainage for which the Company has an unconditional right to payment that is subject only to the passage of time is included in contracts receivable. The Company periodically performs credit evaluations of its customers' financial condition and has the ability to file a claim against a project bond to ensure collection of amounts outstanding. Contract receivables are generally due within 30 days. Retainage receivables are generally due at the time of contract acceptance. It is reasonably possible that the Company's estimate of allowance for doubtful accounts will change. There was no allowance as of December 31, 2021 and 2020.

Loans and Related Parties Receivables - The Company considers various factors as of the date of the combined financial statements in evaluating the credit quality of loans and advances to related parties and third parties, including the value of collateral, if any, historical collection experience and the Company's assessment of the counterparties' ability to repay their obligations. To date, the Company has not experienced any losses with respect to loans and advances to related parties and third parties and believes that all loans and advances will be recovered; therefore, an allowance for uncollectible amounts has not been recorded.

Investments - Investments, which consist of equity securities and mutual funds, are classified as available-for-sale. Marketable securities classified as available-for-sale are carried in the combined financial statements at fair value. Realized and unrealized gains and losses are included in earnings. See Note 4 for a discussion of fair value measurements.

Investment in Captive Insurance Company - In 2014, the Company and the stockholder invested \$100 in a group captive insurance company. The Company's interest at December 31, 2021 is approximately 1.5% and has been accounted for using the cost method of accounting. During the year ended December 31, 2020, the Company purchased insurance subject to certain limitations through a third-party insurance company that is reinsured by the captive insurance company up to certain limits.

Insurance expense related to this coverage totaled approximately \$493,000 and \$445,000 for the years ended December 31, 2021 and 2020, respectively. The Company has deposited cash collateral of \$212,000 and \$194,000 with this entity, which is reflected in the combined balance sheets as deposits. The Company is subject to a deductible of \$0 on its workers' compensation and general liability insurance policies.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment is recorded at the lower of cost or fair value, net of accumulated depreciation. Major additions and betterments are charged to the asset accounts, while maintenance and repairs that do not improve or extend the lives of the assets are expensed as incurred. Upon the sale or other disposition of assets, cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in net income. Depreciation is computed using straight-line and accelerated depreciation methods over the estimated useful lives of the respective assets. Depreciation on leasehold improvements is computed on the lesser of the estimated useful lives or the expected life of the lease using the straight-line method.

Valuation of Long-Lived Assets - The Company accounts for the valuation of long-lived assets under the FASB ASC topic Impairment or Disposal of Long-Lived Assets. Long-lived assets, including property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and are evaluated at least annually. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the combined balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. Assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the combined balance sheets. Management believes the value of long-lived assets exceed their carrying value as of December 31, 2021 and 2020.

Recent Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Board (ASU) 2016-02, Leases, which requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the combined balance sheet at the date of lease commencement. Leases are classified as either finance or operating, a distinction relevant for the pattern of expense recognition in the combined statement of operations and retained earnings. This standard will be effective for the calendar year ending December 31, 2022. The Company is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

Reclassifications - Certain reclassifications have been made to the accompanying financial statements for the year ended December 31, 2020 to conform to the current year's presentation.

Subsequent Events - Events that occurred subsequent to December 31, 2021 have been evaluated by the Company's management for potential recognition or disclosure in the combined financial statements through July 13, 2022, which is the date the financial statements were available to be issued. The Company did not have any material subsequent events during this period.

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NOTE 3 - CONTRACTS RECEIVABLE

Contracts receivable consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Contracts Receivable:		
Completed	\$ 244,888	\$ 273,800
Uncompleted	<u>13,487,053</u>	<u>8,526,762</u>
	<u>\$ 13,731,941</u>	<u>\$ 8,800,562</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The Company accounts for the fair value of its investments under the Fair Value Measurement and Disclosure topic of the FASB ASC, which provides the framework for measuring fair value. That framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under this guidance are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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.

The following is a description of the valuation methodologies used for assets measured at fair value.

Fixed-income mutual funds and corporate equities are valued at quoted prices for identical assets from active markets.

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NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Further, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in the methodologies used at December 31, 2021 or 2020. 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 combined financial statements. The following table sets forth by level, within the fair value hierarchy, the Company's assets at fair value as of December 31:

		2021			
		Level 1	Level 2	Level 3	Total
Fixed-income mutual funds	\$	317,785	-	-	\$ 317,785
Corporate equities		1,344,706	-	-	1,344,706
	\$	<u>1,662,491</u>	<u>-</u>	<u>-</u>	\$ <u>1,662,491</u>
		2020			
		Level 1	Level 2	Level 3	Total
Fixed-income mutual funds	\$	724,446	-	-	\$ 724,446
Corporate equities		546,976	-	-	546,976
	\$	<u>1,271,422</u>	<u>-</u>	<u>-</u>	\$ <u>1,271,422</u>

The cost and fair value of marketable securities at December 31, are as follows:

		2021			
		Cost	Unrealized Gain	Unrealized Loss	Market Value
Fixed-income mutual funds	\$	308,245	9,540	-	\$ 317,785
Corporate equities		1,228,485	\$ 116,221	-	1,344,706
	\$	<u>1,536,730</u>	<u>\$ 125,761</u>	<u>-</u>	\$ <u>1,662,491</u>
		2020			
		Cost	Unrealized Gain	Unrealized Loss	Market Value
Fixed-income mutual funds	\$	772,572	-	(48,126)	\$ 724,446
Corporate equities		509,377	\$ 37,599	-	546,976
	\$	<u>1,281,949</u>	<u>\$ 37,599</u>	<u>(48,126)</u>	\$ <u>1,271,422</u>

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NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The Company's return on investments, included in other income in the combined statements of operations and retained earnings for the year ended December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 28,235	\$ 12,414
Unrealized gains (losses)	125,761	(10,527)
Realized gains	<u>31,704</u>	<u>23,776</u>
	\$ <u>185,700</u>	\$ <u>25,663</u>

NOTE 5 - LOANS RECEIVABLE

In June 2018, the Company advanced monies to a third party in the amount of \$855,000. The loan is noninterest-bearing and unsecured. The loan requires monthly principal payments of \$14,250 over a 60-month period and matures in June 2023. As of December 31, 2021 and 2020, the outstanding balance amounted to \$57,637.

In 2020, the Company advanced a third party \$50,000. The loan is noninterest bearing, unsecured and has no formal repayment terms. Management does not expect this loan to be repaid prior to December 31, 2022, therefore it is reported in the combined balance sheets as a noncurrent asset. The outstanding loan balance at December 31, 2021 and 2020 amounted to \$50,000.

NOTE 6 - REVENUE RECOGNIZED AND COSTS INCURRED ON UNCOMPLETED CONTRACTS

The following is a summary of contracts in progress at December 31:

	<u>2021</u>	<u>2020</u>
Costs incurred on uncompleted contracts	\$ 229,252,958	\$ 154,398,930
Estimated gross profit	<u>14,978,088</u>	<u>10,149,180</u>
Contract revenue earned on uncompleted contracts	244,231,046	164,548,110
Billings to date (including conditional retainage)	242,536,029	163,170,632
Less: conditional retainage	<u>465,491</u>	<u>553,991</u>
Billings to date (excluding conditional retainage)	<u>242,070,538</u>	<u>162,616,641</u>
Net contract asset	\$ <u>2,160,508</u>	\$ <u>1,931,469</u>

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NOTE 6 - REVENUE RECOGNIZED AND COSTS INCURRED ON UNCOMPLETED CONTRACTS
(Continued)

These amounts are included in the accompanying balance sheets under the following captions as of December 31:

	<u>2021</u>	<u>2020</u>
Contract assets	\$ 10,093,382	\$ 8,551,829
Contract liabilities	<u>(7,932,874)</u>	<u>(6,620,360)</u>
	<u>\$ 2,160,508</u>	<u>\$ 1,931,469</u>

NOTE 7 - PROPERTY AND EQUIPMENT

	<u>2021</u>	<u>2020</u>
Machinery and equipment	\$ 2,360,311	\$ 2,073,841
Transportation and equipment	1,027,145	1,568,934
Furniture, fixtures and equipment	221,215	218,664
Leasehold improvements	<u>274,057</u>	<u>274,057</u>
	3,882,728	4,135,496
Less: Accumulated depreciation	<u>(3,425,135)</u>	<u>(3,801,048)</u>
	<u>\$ 457,593</u>	<u>\$ 334,448</u>

NOTE 8 - LINE-OF-CREDIT

The Company has a commitment letter for a line-of-credit agreement with a commercial bank with a maximum loan facility in the amount of \$3,000,000. Future advances from the line of credit are due on demand and bear interest at a rate equal to the Wall Street Journal Prime rate (4.0% at December 31, 2021) minus 0.375%, adjusted daily. The line is secured by the Company's business assets. There were no outstanding borrowings on the line at December 31, 2021 and 2020.

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN

During April 2020, the Company entered into a term note with a financial institution in the amount of \$1,068,097 under the Small Business Association (SBA) Paycheck Protection Program (PPP Loan) within the Coronavirus Aid, Relief and Economic Security Act (CARES Act). During 2021, the Company received full forgiveness on the PPP Loan. Total forgiveness of \$1,068,097 was recorded in other income on the combined statements of operations and retained earnings. In February 2021, the Company entered into a term note in the amount of \$1,068,097 pursuant to the Second Draw Paycheck Protection Program under the CARES Act. The loan accrues interest at a rate of 1% and has an original maturity date of two years, which can be extended to five years by mutual agreement of the Company and the SBA. Payments are deferred until the forgiveness amount has been approved and remitted to the financial institution. Any amounts not forgiven under the program will be payable under the remaining terms of the agreement.

COSTELLO CONSTRUCTION OF MARYLAND, INC.
AND COSTELLO CONSTRUCTION, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 - PAYCHECK PROTECTION PROGRAM LOAN (Continued)

Under terms of the loan, a portion or all of the loan is forgivable to the extent that proceeds are used to fund qualifying payroll related costs, rent and utilities and maintain employee and compensation levels during a designated 24-week period. The Company intends to utilize the proceeds of the PPP loan in a manner that will enable qualification as a forgivable loan, however no assurance can be provided that all or any portion of the PPP loan will be forgiven, therefore the PPP loan is recognized under FASB ASC 470 - Debt Model. The balance on this PPP loan amounted to \$1,068,097 as of December 31, 2021 and has been classified as a current liability on the combined balance sheets.

NOTE 10 - NOTES PAYABLE

The Company has outstanding note payable obligations with financial institutions as of December 31, 2021 and 2020. Interest rates range from 0.0% to 4.19%, with combined monthly principal and interest payments of \$5,900. The notes mature at various dates through January 2025 and are collateralized by transportation equipment.

The following is a summary of notes payable as of December 31:

	2021	2020
Notes payable	\$ 228,543	\$ 86,340
Less: current portion	(105,011)	(48,070)
Notes payable - noncurrent	<u>\$ 123,532</u>	<u>\$ 38,270</u>

At December 31, 2021, future payments were as follows:

For the year ending December 31	Amount
2022	\$ 105,011
2023	86,227
2024	35,230
2025	<u>2,075</u>
	<u>\$ 228,543</u>

NOTE 11 - RELATED PARTY TRANSACTIONS

The Company rents office space from affiliates, which the stockholder is a member, under a month-by-month operating leases.

Total related-party rent expense for the years ended December 31, 2021 and 2020 amounted to \$415,106 and \$294,298, respectively.

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NOTE 11 - RELATED PARTY TRANSACTIONS (Continued)

Loans Receivable - Related Parties - The Company has advanced monies to its stockholder. These advances are unsecured, have no repayment terms and interest has been imputed at the risk-free interest rates through December 31, 2021. Management does not expect to be repaid any proceeds prior to December 31, 2022, therefore the balance is reported as a noncurrent asset. Interest receivable is included in the balance due and amounted to \$126,888, as of December 31, 2021 and 2020. Amounts due from the stockholder as of December 31, 2021 and 2020 were \$377,978 and \$292,559, respectively.

In December 2017, the Company made a working capital loan to a real estate investment company that is wholly owned by the stockholder. In 2021, the Company made another working capital loan to the same company in the amount of \$3,068,414. Total amounts due under the loan as of December 31, 2021 and 2020 were \$4,459,015 and \$1,771,601, respectively. The loans are due on demand, noninterest bearing and are unsecured. Management does not expect to be repaid any proceeds prior to December 31, 2022, therefore the balance is reported as a noncurrent asset.

During the years ended December 31, 2021 and 2020, the Company had a contract with a related party. Contract revenues and cost of contract revenue were \$4,950,000 and \$5,360,000 at December 31, 2021 and \$11,994,000 and \$11,596,000 at December 31, 2020. Amounts due were from this related party were \$2,026,066 and \$2,144,816, which is reflected in contacts receivable in the accompanying combined balance sheets. Management deems the balance fully collectible as of December 31, 2021.

Guarantees - The Company is a guarantor on a mortgage note payable with a commercial bank to IMH Columbia, LLC, d/b/a Sheraton Columbia Town Center Hotel (IMH) totaling approximately \$15,261,000 as of December 31, 2021. Costello's stockholder is the majority owner of IMH. The mortgage loan requires monthly loan payments of principal including interest at 3.65% and matures December 2024. The note is also personally guaranteed by the stockholder of the Company.

The Company is also a guarantor on a construction note payable with a commercial bank to IMH for a maximum amount of \$22,380,000. IMH is undergoing \$20 million in renovations to bring the property up to par with the four-star standards of the new Marriott Autograph flag. In February 2021, the construction note payable was modified reducing the interest rate to 3.65% and requiring monthly principal and interest payments beginning in July 2022 through December 2024 when the construction note payable matures. Additionally, the guarantor's obligations were also modified. The loan guaranty of the mortgage and construction loan was limited to \$2,000,000 upon deposit of a \$3,000,000 deposit of cash into an escrow account with the lender to secure the IMH loans.

NOTE 12 - CONCENTRATIONS

The Company's customers are located primarily in the Baltimore, Maryland, and Washington, D.C. metropolitan areas. Although the Company generally grants credit without collateral, management believes that its contract acceptance, billing and collection policies are adequate to minimize potential credit risk. The Company can generally place liens against constructed assets in the event of nonpayment by a customer.

For the year ended December 31, 2021, two customers accounted for approximately 93% of the Company's revenues. For the year ended December 31, 2020, four customers accounted for approximately 80% of the Company's revenues. These same customers accounted for approximately 69% and 57% of outstanding contracts receivable at December 31, 2021 and 2020, respectively.

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NOTE 13 - RETIREMENT PLAN

Costello sponsors a 401(k) and profit-sharing retirement plan covering substantially all employees. Employees must complete 30 days of service and attain age 18 to be eligible. Matching contributions of 25% of eligible employee wages, up to 6%, are made to the plan at the discretion of the board of directors. Retirement plan contributions for the years ended December 31, 2021 and 2020 amounted to \$33,000 and \$49,000, respectively.

NOTE 14 - CONTRACT BACKLOG (UNAUDITED)

The estimated gross revenue on work to be performed on signed contracts was approximately \$78,624,000 at December 31, 2021.

NOTE 15 - CONTINGENCIES

Surety Bonds - Costello had outstanding surety bonds of approximately \$250 million as of both December 31, 2021 and 2020.

Litigation - The Company is periodically involved in legal proceedings incidental to its normal business activities. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the Company's combined balance sheets or statements of operations and retained earnings.

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