

Tecnoglass Inc.  
Form 10-K  
May 31, 2016

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

**(Mark One)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-35436**

**TECNOGLASS INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Cayman Islands**

**98-1271120**

(State or Other Jurisdiction of Incorporation or (I.R.S. Employer Identification Number)

Organization)

**Avenida Circunvalar a 100 mts de la Via 40**

**Barrio Las Flores, Barranquilla**

**Colombia**

(Address of Principal Executive Offices) (Zip Code)

**(57)(5)3734000**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value \$0.0001 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes  No

Edgar Filing: Tecnoglass Inc. - Form 10-K

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of June 30, 2015 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the ordinary shares held by non-affiliates of the registrant was approximately \$53,475,319 based on its last reported sales price of \$12.63 on the NASDAQ Capital Market.

As of March 28, 2016, there were **26,914,764** ordinary shares, \$0.0001 par value per share, outstanding.

Documents Incorporated by Reference: None.

**TECNOGLASS INC.**

**FORM 10-K**

**TABLE OF CONTENTS**

**PART I**

Item 1.	<u>Business.</u>	4
Item 1A.	<u>Risk Factors.</u>	13
Item 1B.	<u>Unresolved Staff Comments.</u>	13
Item 2.	<u>Properties.</u>	14
Item 3.	<u>Legal Proceedings.</u>	14
Item 4.	<u>Mine Safety Disclosures.</u>	14

**PART II**

Item 5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.</u>	15
Item 6.	<u>Selected Financial Data.</u>	16
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations.</u>	16
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	21
Item 8.	<u>Financial Statements and Supplementary Data.</u>	21
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.</u>	21
Item 9A.	<u>Controls and Procedures.</u>	21
Item 9B.	<u>Other Information.</u>	23

**PART III**

Item 10.	<u>Directors, Executive Officers and Corporate Governance.</u>	24
Item 11.	<u>Executive Compensation.</u>	27
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.</u>	28
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence.</u>	30
Item 14.	<u>Principal Accounting Fees and Services.</u>	33

**PART IV**

Item 15.	<u>Exhibits, Financial Statement Schedules.</u>	34
----------	---	----

## FORWARD LOOKING STATEMENTS AND INTRODUCTION

All statements other than statements of historical fact included in this Annual Report on Form 10-K (this “Form 10-K”) including, without limitation, statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements. When used in this Form 10-K, words such as “anticipate,” “believe,” “estimate,” “expect,” “intend” and similar expressions, as they relate to us or our management, identify forward looking statements. Such forward looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward looking statements as a result of certain factors detailed in our filings with the Securities and Exchange Commission. All subsequent written or oral forward looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

Unless the context otherwise requires:

- references to the “Company” , “TGI” and to “we, ” “us” or “our” are to Tecnoglass Inc., a Cayman Islands exempted company and its subsidiaries;
- references to “Tecnoglass Holding” are to Tecno Corporation;
- references to “Tecnoglass” and “TG” are to Tecnoglass S.A.;
- references to “ES” are to C.I. Energía Solar S.A. E.S. Windows;
- references to “Tecno LLC” are to Tecnoglass LLC; and
- references to “Tecno RE” are to Tecno RE LLC.

## EXPLANATORY NOTE

This Annual Report on Form 10-K for the year ended December 31, 2015 includes consolidated financial statements for the years ended December 31, 2015 and 2014. The consolidated financial statements for the year ended December 31, 2014 are restated.

On April 11, 2016, the Audit Committee of the Board of Directors of Tecnoglass Inc. (the “Company”) and management, after a discussion with PricewaterhouseCoopers Ltda., the Company’s independent registered public accounting firm (“PWC”), determined that the Company’s previously-filed audited financial statements for the fiscal years ended December 31, 2014 and 2013 (the “Prior Audited Financial Statements”) and its previously-filed quarterly reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015 (collectively the “Quarterly Financial Statements”) should no longer be relied upon (PWC was the independent registered public

## Edgar Filing: Tecnoglass Inc. - Form 10-K

accounting firm for all of the aforementioned periods except for the fiscal year ended December 31, 2013 which was audited by Marcum LLP). The Company will file a separate Annual Report on Form 10-K for 2013 in order to address the restatement associated with that period.

In preparing the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, the Company identified six non-cash errors: (1) in the way the Company had accounted for the fair value and classification of its "earnout shares", (2) in the classification and presentation of deferred tax assets and liabilities on the consolidated balance sheets, (3) in the classification of its shipping and handling costs in the statement of operations, (4) in the presentation of related party revenue on consolidated statements of operations and comprehensive income, (5) in the classification of purchases and sales of investments in the consolidated statements of cash flows, and (6) in the calculation of diluted earnings per share.

In accordance with accounting guidance presented in ASC 250-10 and SEC Staff Accounting Bulletin No. 99, Materiality, the Company's management assessed the materiality of the errors on a consolidated basis and concluded they were material to the financial statements for the year ended December 31, 2014 and the quarterly periods within both 2015 and 2014. With respect to the financial statements for the year ended December 31, 2014, the errors have been corrected in the Company's 2015 10-K by form of a restatement, which is further described in Note 2, Restatement, to the Notes to our consolidated financial statements under the caption Item 15, "Exhibits, Financial Statement Schedules". The Company will amend its Forms 10-Q for the quarterly periods after the issuance of this Form 10-K.

Based on the above restatement, the Audit Committee and management have concluded that there were material weaknesses in our internal control over financial reporting that contributed to the material misstatements in the 2014 consolidated financial statements. For further information regarding management's assessment of internal control over financial reporting, please see Item 9A, "Controls and Procedures," in this Annual Report on Form 10-K.

## PART I

### **Item 1. Business.**

#### **Overview**

We were originally formed under the name “Andina Acquisition Corporation” for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. On March 22, 2012, we consummated our initial public offering (the “IPO”), and on December 20, 2013, we consummated our initial business combination (the “Merger”), whereby our wholly-owned subsidiary merged with and into Tecnoglass Holding. As a result of the Merger, Tecnoglass Holding and its indirect, wholly-owned subsidiaries, Tecnoglass and ES, became our direct and indirect subsidiaries. Accordingly, the business of Tecnoglass Holding and its subsidiaries became our business. We are now a holding company operating through our direct and indirect subsidiaries.

The Merger was accounted for as a reverse acquisition with Tecnoglass Holding being considered the accounting acquirer in the Merger. For accounting and financial purposes, we were treated as the acquired company, and Tecnoglass Holding was treated as the acquiring company. Accordingly, historical information, including historical financial information and the historical description of our business, for periods and dates prior to December 20, 2013, include information for Tecnoglass Holding and its subsidiaries.

#### **Our Business**

##### *General*

We are a leading manufacturer of hi-spec architectural glass and windows for the western hemisphere residential and commercial construction industries, operating through our direct and indirect subsidiaries. Headquartered in Barranquilla, Colombia, we operate out of a 2.8 million square foot vertically-integrated, state-of-the-art manufacturing complex that provides easy access to the Americas, the Caribbean, and the Pacific.

We sell our products to more than 900 customers in North, Central and South America. The United States accounted for approximately 59% and 51% of our combined revenues in 2015 and 2014, while Colombia accounted for approximately 34% and 41%, and Panama for approximately 3% and 6% of our combined revenues in those years. Our tailored, high-end products are found on some of the world's most distinctive properties, including the El Dorado Airport (Bogota), 50 UN Plaza (New York), Fordham University Law School (New York), Trump Tower (Panama), Brickell City Centre (Miami), and The Woodlands (Houston).



*Tecnoglass.* Tecnoglass is a leading manufacturer of a variety of glass products installed primarily in commercial and residential buildings, including tempered safety, double thermo-acoustic and laminated glass. Tecnoglass products are installed in hotels, residential buildings, commercial and corporate centers, universities, airports and hospitals in a variety of applications such as floating facades, curtain walls, windows, doors, handrails, interior and bathroom spatial dividers. Approximately 57% of Tecnoglass products are supplied to ES for installation in various products that ES manufactures, with the balance of Tecnoglass products being sold to customers throughout North, Central and South America. In 2015 Tecnoglass established its Solartec plant, to produce low emissivity glass with high thermal insulation specifications using soft coat technology.

Tecnoglass also produces aluminum products such as profiles, rods, bars, plates and other hardware used in the manufacture of windows. In 2007, Tecnoglass established its Alutions plant in Barranquilla, Colombia for extrusion, smelting, painting and anodizing processes, and for exporting, importing and marketing aluminum products. The Alutions plant contributes more than 90% of the raw materials needed for production of Tecnoglass aluminum products.

Glass Magazine ranked Tecnoglass as the second largest glass fabricator serving the U.S. market in 2013. We believe that it is the leading glass transformation company in Colombia, capturing 40% of the market share in the country.

*ES.* ES is a leader in the production of high-end windows, with more than 29 years of experience in the glass and aluminum structure assembly market in Colombia. ES designs, manufactures, markets and installs architectural systems for high, medium and low rise construction, glass and aluminum windows and doors, office dividers and interiors, floating facades and commercial display windows.

ES has expanded its U.S. sales outside of the Florida market for windows, into the high-tech market for curtain walls, a product that is in high demand and represents a new trend in architecture, and floating facades. Due to the sophistication of these new products, ES believes that sales of curtain walls will generate higher margins as compared to traditional window frames from walls or floor to ceiling windows. Curtain walls produced by ES are composed of “high performance” materials that are produced by Alutions, the aluminum smelting plant, and Tecnoglass with state of the art technology.

Since 2004, we have a strategic commercial relationship with ES Windows LLC (“ESW LLC”), a Florida-based company partially owned by Christian T. Daes and José M. Daes, who are also our executive officers and directors. ESW LLC is a member of the American Architectural Manufacturers Association, a technical information center for the architecture industry with highest standards. ESW LLC sends project specifications and orders from its clients to ES, and in turn, receives pricing quotes from ES which are conveyed to the client.

In 2014, we established two entities in South Florida, Tecno LLC and Tecno RE, to acquire manufacturing and warehousing facilities, customer lists and exclusive design permits in order to support sales growth in the United States. We will continue to manufacture our products at our facilities in Barranquilla, Colombia while performing select manufacturing and light assembly in the U.S. to enhance client service and create certain cost efficiencies.

In Panama, ES sells products primarily to companies participating in large construction projects in the most exclusive areas of Panama City. For example, ES products were supplied in the construction of the tallest building in Central and South America, The Point, as well as in the construction of other modern hotels in the region such as Megapolis and The Trump. Based on ES's knowledge of the construction market in Central America, we believe that it has also entered into one of the highest value window supply contracts in the hotel industry in Central America for the Soho Plaza.

### *Competitive Strengths*

#### *Vertical Integration*

We believe we are unique in vertically integrating the purchase of raw materials, the manufacture of glass and aluminum products and the subsequent production of customized glass and windows for architectural and industrial settings. By vertically integrating these functions, we are able to price our products competitively while maintaining strict quality control measures to guarantee the high quality of our products. Additionally, we benefit from significant advantages in efficiency and time-to-market for new or customized products. This vertically integrated model provides attractive margins with significant operating leverage.

### *Innovation*

We have made significant investments in machinery and equipment in order to utilize the latest technology on our production lines, including a recently completed approximately \$80.2 million capital investment in land, warehouses and state-of-the-art glass making equipment thereby expanding our manufacturing capacity. In August 2014, we entered into a contract to purchase equipment from Magnetron Sputter Vacuum Deposition to produce soft coated low emissivity glass as part of our improvements plan, which started production in the last quarter of 2015. The investment for this project is estimated at \$45 million for the equipment and facilities.

Additionally, we purchased two glass laminating and tempering furnaces that use new technologies to produce tempered glass with no distortion using air cushion technology and to produce curved glass in a broad range of easily modifiable curvatures.

For certain of our products, we offer DuPont Sentryglass® laminated glass interlayers which are recognized as industry-leading laminated glass solutions with five times the resistance strength of other materials available on the market. We also use a laminator and jumbo tempering oven capable of producing extra-large slabs of laminated glass which are sought after in the high-end window market. These investments in machinery and equipment, together with our highly trained labor force, allow us to offer state-of-the-art custom designed products quickly modified to meet customer demands. We also have a staff of specialists dedicated to product design in order to meet customer specifications.

### *Superior Customer Service*

In addition to manufacturing high quality products, our value proposition to our customers is based on industry-leading lead times, on-time delivery and superior after-sale support. Through the coordinated efforts of our sales teams, product specialists, and field service teams, we deliver high quality service to our customers, from the time the initial order is placed through the delivery and installation of our products. By providing an efficient flow of product from order through delivery, our manufacturing processes allow us to deliver made-to-order products consistently on time, which we believe is an important competitive strength.

### *Management Experience*

José Daes, our chief executive officer, and Christian Daes, our chief operating officer, have more than 30 and 20 years of industry experience, respectively. In addition, our executive management teams have worked together for many years at our operating subsidiaries. This long tenure in the industry, and as a team, has enabled our management to

build significant relationships with both clients and field level management. We believe that these relationships, coupled with management's strong technical expertise, create a significant competitive advantage.

### *Location*

Our headquarters and principal manufacturing facilities are located in Barranquilla, Colombia, which is strategically located near three major ports in Barranquilla, Cartagena and Santa Marta. These ports, which are only two hours' drive from each other, provide us with sea access to all major markets globally.

### *High Barriers to Entry*

Entry into many of the markets that we serve is limited due to the technical certifications required on high specification building projects. Our success is due in large part to the breadth of our product offering and our reputation for delivering high quality, made-to-order architectural glass on time. These factors are required to compete successfully for multimillion dollar projects typical of our business. Given the vertically-integrated nature of our operations, including the aluminum extrusion products provided by Tecnoglass, there is a more limited set of competitors and entry into these markets. In addition, the equipment needed to operate in the glass and window industry is expensive, requiring a significant upfront capital investment.

### *Competitive pricing*

We offer our customers highly competitive prices due to efficiencies realized from vertical integration and low labor costs. These competitive advantages allow us great flexibility in pricing their components to be competitive in a variety of markets.

### *Strategy*

We have identified the following items that we believe are important in advancing our business:

*Continued investments in machinery and equipment with state-of-the-art technology*

Edgar Filing: Tecnoglass Inc. - Form 10-K

We have made investments of approximately \$142.6 million since 2014, including \$80.2 million in 2015 in state-of-the-art glass making equipment, the installation of new laminating lines, high-volume insulating equipment, a new aluminum extrusion press with the capacity for an additional one thousand tons per month, a new paint line with the capacity to treat one million pounds of aluminum per month, and a new aluminum foundry.

*Development of additional high value products*

We have a demonstrated track record of developing new products and will continue to focus on capitalizing on new product opportunities in the future. We constantly identify shifting global trends and growing marketplace needs, and design proposals to meet those needs. A feasibility and tuning program, including testing at specialized laboratories in the U.S., is carried out before marketing a new product. In 2014 we started producing architectural systems that integrate LED lighting allowing the façade of the building to display different colors and patterns.

Additionally, we are in the process of implementing new technologies to produce tempered glass that offers notably more transparency with significantly less distortion than industry standard using air cushion technology, as well as new technology used to produce curved glass in a broad range of easily modifiable curvatures.

*Manufacture the highest quality products in the market through a rigorous quality assurance program*

Our plants are organized internally by processes, each of which is independently and continually supervised by the Quality Assurance department. The Quality Assurance department maintains rigorous oversight over energy, water, recyclable waste and process optimization indicators, in order to produce high quality sustainable products. Approximately 30% of all our waste is recycled.

*Continued vertical integration provides margin enhancement*

We benefit from operating together under a combined facility, providing advantages in meeting customer and market needs and managing costs. By continuing to expand our degree of vertical integration, we can further enhance productivity, create cost efficiencies and increase operating margins.

*Leverage strength in Colombia market to further penetrate Latin America*

With a strong base in Colombia, we have already successfully expanded into nearby geographies. Our glass products are featured in major construction projects in Argentina, Aruba, Costa Rica, Panama and Puerto Rico. As the construction market throughout Latin America grows, we are positioned to capture new growth in the markets we have currently penetrated, as well as in new high growth countries.

*Leverage strength in Florida market to further penetrate U.S.*

We believe we have an established and leading presence in the Florida construction market as providers of high value, impact-resistant glass products. ES's hurricane-proof products are certified in compliance with the stringent requirements of hurricane-proof windows in accordance with applicable U.S. regulations. With a quality of product proven by our success and compliance in the impact-resistant market, we have successfully entered the U.S. remodeling and replacement parts market. In addition, we have the opportunity to grow geographically in the U.S., particularly into other coastal markets on the East Coast which are affected by hurricanes, significant temperature fluctuations and other extreme weather.

*Maintain fast and reliable delivery to customers due to strategic location*

From the Port of Barranquilla, products can be transported to Panama by air in one hour and to Houston and Miami within two hours, within two days by sea to Panama and within four days by sea to Houston and Miami.

*Penetrate additional markets*

With a strong base in Colombia and Florida, we will seek to expand into further geographies, such as Asia and Europe. We believe the centralized location of the Port of Barranquilla will aid in our expanding into such new markets.

***Products***

TG manufactures and sells the following products:

*Soft Coat Glass* – manufactured by depositing metal particles on the surface of the glass inside a vacuum chamber. This product offers excellent thermal insulation designed to improve energy efficiency of buildings.

*Laminated/Thermo-Laminated Glass* - produced by bonding two glass sheets with an intermediate film in-between. As a safety feature, this product fractures into small pieces if it breaks

*Thermo-Acoustic Glass* - manufactured with two or more glass sheets separated by an aluminum or micro-perforated steel profile. This product has a double-seal system that ensures the unit's tightness, buffering noise and improving thermal control. This product serves as an excellent noise barrier, which is used especially in zones close to airports, traffic or wherever there are unpleasant sounds.

*Tempered Glass* - glass subject to a tempering process through elevated temperatures resulting in greater superficial elasticity and resistance than conventional glass.

*Silk-Screened Glass* - special paint is applied to glass using automatic machinery and numerical control which ensures paint homogeneity and an excellent finish.

*Curved Glass* - produced by bending a flat glass sheet over a mold, using an automated heat process, which maintains the glass' physical properties.

*Digital Print Glass* - digital printing allows any kind of appearance required by the client, offering versatility to projects.

TG's aluminum products sold through its Alutions brand include bars, plates, profiles, rods and tubes used primarily in the manufacture of architectural glass settings including windows, doors, spatial separators and similar products.

ES manufactures and sells the following products:

*Floating facades* - act as a window screen hanging outside a building and are available in many technical specifications and profiles to define colors, thickness, glass types and finishes, and types of ventilation and design complements.

*Windows and Doors* - line of window and door products defined by the different types of glass finish, such as normal, impact resistant, hurricane-proof, safety, soundproof and thermal. Additionally, they are available in numerous



structures, including fixed body, sliding windows, projecting windows, guillotine windows, sliding doors and swinging doors.

*Commercial display windows* - commercial and interior display windows with a broad range of profiles, colors and crystal finishes. Products combine functionality, aesthetics and elegance and are available in a broad range of structures and materials.

*Hurricane-proof windows* - combine heavy-duty aluminum or vinyl frames with special laminated glass to provide protection from hurricane-force winds up to 180 mph and wind-borne debris by maintaining their structural integrity and preventing penetration by impacting objects.

*Automatic doors* - exclusive representative in Colombia of Horton Automatics, a manufacturer of automatic doors including glass window systems.

*Bathroom dividers* - bathroom cubicle division systems, formed by combining glass panels, frames and doors.

*Other* - photovoltaic structures and other components of architectural systems.

### ***Brands and Trademarks***

Our brands include Tecnoglass, ES Windows and Alutions. Our registered trademarks include “Alutions by Tecnoglass” with the accompanying logo and “Alutions”. Tecnoglass and ES Windows are not registered as trademarks by us.

### ***Sales, Marketing and Customer Service***

#### *Sales and marketing*

Our sales strategy primarily focuses on attracting and retaining customers by consistently providing exceptional customer service, leading product quality, and competitive pricing. Our customers also value their shorter lead times, knowledge of building code requirements and technical expertise, which collectively generate significant customer loyalty. Our products are marketed using a combination of their internal sales representatives and independent sales representatives and directly to distributors. Our internal sales representatives receive performance-based compensation based on sales and profitability metrics. We primarily market our products based on product quality, outstanding service, shorter lead times and on-time delivery.

#### *Customer Service*

We believe that our ability to provide customers outstanding service quality serves as a strong competitive differentiator. Our customer relationships are established and maintained through the coordinated efforts of our sales and production teams. We employ a team of highly seasoned professionals devoted to addressing customer support with the goal of resolving any issue in a timely manner. In order to promote customer loyalty and employee development, we developed ES Windows University with the primary objectives of training employees to be aware of client and supplier needs and familiarizing them with our strategic goals in order to improve the competitiveness, productivity and quality of all products offered.

### **Working Capital Requirements**

Trade accounts receivable is the largest component of working capital, including receivables relating to contractual retention amounts that can be outstanding throughout the project duration for large-scale architectural projects. Our

inventory requirements are not significant since our products are made-to-order rather than build-to-stock. As a result, inventory levels follow customer demand for products produced.

## **Customers**

Our customers include architects, building owners, general contractors and glazing subcontractors in the commercial construction market. We have over 900 customers. Of our 100 most representative customers, which represent over 92% of our sales, about 33% are located in North America, 10% in Central America and the Caribbean, and 57% in South America. Excluding revenue from related parties, only one customer accounted for more than 10% or more of our net sales during 2015 or 2014 with 14% of sales during both 2015 and 2014.

## **Backlog**

We had combined outstanding orders of \$375 million as of December 31, 2015 as compared to \$280 million as of December 31, 2014. We do not believe that backlog is indicative of our future results of operations or prospects. Although we seek commitments from customers well in advance of shipment dates, actual confirmed orders are typically not received until close to the required shipment dates.

## **Materials and Suppliers**

Our primary manufacturing materials include glass, ionoplast, polyvinyl butyral, and aluminum and vinyl extrusions. Although in some instances we have agreements with our suppliers, these agreements are generally terminable by us or the supplier counterparties on limited notice. Typically, all of our materials are readily available from a number of sources, and no supplier delays or shortages are anticipated.

We source raw materials and glass necessary to manufacture our products from a variety of domestic and foreign suppliers. For the year ended December 31, 2015, no single supplier accounted for more than 10% of total raw material purchases.

## **Warranties**

We offer product warranties which we believe are competitive for the markets in which our products are sold. The nature and extent of these warranties depend upon the product. Our standard warranties are generally from five to ten years for architectural glass, curtain wall, laminated and tempered glass, window and door products. Warranties are not priced or sold separately and do not provide the customer with services or coverages in addition to the assurance that the product complies with original agreed-upon specifications. In the event of a claim against a product for which we have received a warranty from the supplier, we transfer the claim back to the supplier. The Company evaluated historical information regarding claims for replacements under warranties and concluded that the costs that the Company have incurred in relation to these warranties have not been material.

## **Certifications**

Among our many designations and certifications, Tecnoglass has earned the Miami-Dade County Notice of Acceptance (“NOA”), one of the most demanding certificates in the industry and a requirement to market hurricane-resistant glass in Florida. Tecnoglass’ products comply with Miami-Dade county’s safety code standards as its laminated anti-hurricane glass resists impact, pressure, water and wind. Tecnoglass is also the only company in Latin America authorized by PPG Industries and Guardian Industries to manufacture floating glass facades.

Our subsidiaries have received a number of other certifications from other national and international standard-setting bodies.

Tecnoglass Certifications include:

- NTC-1578
- ASTM E774 1997
- ISO 9001: 2008 Certificate of Quality Assurance
- ISO 14001: 2004 Certificate of Environmental Management
- Safety Glazing Certification Council (SGCC) for tempered and laminated glass: ANZI Z97 1-2004
- International Glass Certification Council (IGCC) for insulated glass: ASTM E774 - 97
- Pittsburgh Plate Glass (PPG) certified supplier

- Member of ACOLVISE (Colombia Association of Safety Glass Transformers)

ES Certifications include:

- NTC-ISO 9001: 2008 Certificate of Quality Assurance
- NTC-ISO 14001: 2004 Certificate of Environmental Management
- Member of the American Architectural Manufacturers Association (AAMA)
- Complies with Miami-Dade County's stringent safety code regulations for hurricane-proof windows

### **Competitors**

We have local competitors in Colombia as well as competitors in the markets internationally, in each of the glass, aluminum and finished products sectors. Glass Tecnologia en Vidrios y Ventanas S.A., Arquicentro S.A., Aluminum Estructural S.A. and Ventanar Ltda, compete with us in the finished products market in Colombia. Apogee Enterprises, Inc., PGT, Inc. and WinDoor Inc. compete with us in the U.S. finished products market. Golden Glass Security, Vid-plex Universal S.A., Aluace Ltda and Laminados y Blindados compete with us locally in the glass and aluminum markets. Oldcastle, Inc., Trulite Inc., and PRL Glass Systems are among others that compete with us in the U.S. glass and aluminum products markets.

The key factors on which we and our competitors compete for business include: quality, price and reputation, breadth of products and service offerings, and production speed. We face intense competition from both smaller and larger market players who compete against us in our various markets including glass, window and aluminum manufacturing.

The principal methods of competition in the window and door industry are the development of long-term relationships with window and door distributors and dealers, and the retention of customers by delivering a full range of high-quality customized products on demand with short turnaround times while offering competitive pricing. The vertical integration of our operations, our geographic scope, low labor costs and economies of scale have helped our subsidiaries consolidate their leading position in Colombia and bolstered their expansion in the U.S. and other foreign markets.

### **Sales and Marketing**

We employ a limited number of in-house sales employees. Most of our sales and marketing efforts are handled by area sales representatives who work on a commission basis.

We do not rely on significant traditional advertising expenditures to drive net sales. We have established and maintain credibility primarily through the strength of our products, our customer service and quality assurance, the speed at which we deliver finished products and the attractiveness of our pricing. Our advertising expenditures consist primarily of maintaining our subsidiaries' websites.

### **Government Regulations**

We are subject to extensive and varied federal, state and local government regulation in the jurisdictions in which we operate, including laws and regulations relating to our relationships with our employees, public health and safety and fire codes. Additionally, certain of the jurisdictions in which we operate require that installation of doors and windows be approved by competent authorities that grant distribution licenses.

Although our business and facilities are subject to federal, state and local environmental regulation, environmental regulation does not have a material impact on our operations.

### **Research and Development**

During the years ended December 31, 2015 and December 31, 2014, we spent approximately \$2.0 and \$1.3 million, respectively, in research and development.

Our commercial ally and related party in the United States, ES Windows LLC, bears significant costs related to the development of new products, since they pay for the external tests that need to be performed on our products in order to comply with strict building codes. ES Windows LLC is fully permitted to commercialize hurricane windows in the Miami-Dade County, Florida, which has one of the most demanding certifications in the world of window frames.

## Employees

As of December 31, 2015, we had a total of 5,380 employees, with 3,251 employed by ES and 2,129 employed by Tecnoglass, none of whom is represented by a union. Most of our employees are hired through seven temporary staffing companies and are employed under one-year fixed-term employment contracts. Management believes it has good relations with our employees. We provide ongoing training programs to our employees through the self-established E.S. Windows University.

## Company History

We were formed under the name “Andina Acquisition Corporation” as an exempted company incorporated in the Cayman Islands on September 21, 2011 in order to effect a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

In March, 2012, we closed our IPO of 4,200,000 units, with each unit consisting of one ordinary share and one warrant to purchase one ordinary share at an exercise price of \$8.00 per share, at an offering price of \$10.00 per unit, generating total gross proceeds of \$42,000,000. Simultaneously with the consummation of the IPO, we consummated a private placement of 4,800,000 warrants (“private warrants”) at a price of \$0.50 per warrant and, to the underwriters, options to purchase an aggregate of 900,000 units at a price of \$500,100, generating total proceeds of \$2,900,100. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us were \$43,163,000 of which \$42,740,000 was deposited into a trust account. The remaining proceeds of \$423,000 became available to be used as working capital to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. The IPO was conducted pursuant to a registration statement on Form S-1 (Reg. No. 333-178061), that became effective on March 16, 2012.

From the consummation of our IPO until August 17, 2013, we were searching for a suitable target business to acquire. On August 17, 2013, we entered into an agreement and plan of reorganization, pursuant to which agreement, as amended, we acquired Tecnoglass Holding, Tecnoglass and ES as direct and indirect subsidiaries. On December 20, 2013, we held an extraordinary general meeting of our shareholders, at which our shareholders approved the Merger and other related proposals. On the same date, we closed the Merger and Tecnoglass Holding and its indirect, wholly-owned subsidiaries, Tecnoglass and ES, became our direct and indirect subsidiaries.

Tecnoglass Holding is a corporation formed under the laws of the Cayman Islands that was founded in 2014 in connection with the Merger. Tecnoglass is a corporation formed under the laws of Colombia that was founded in 1994 by Jose M. Daes, our Chief Executive Officer, and Christian T. Daes, our Chief Operating Officer. ES is a corporation formed under the laws of Colombia that was founded in 1984 by Jose M. Daes and Christian T. Daes.



At the closing of the Merger, 2,251,853 of the 4,200,000 public shares sold in our IPO were converted to cash at a conversion price of approximately \$10.18 per share, or an aggregate of approximately \$22.9 million of the approximately \$42.7 million held in the trust account. As consideration for the Merger, we issued Energy Holding Corp., a holding company and sole shareholder of Tecnoglass Holding, of which former shareholders of Tecnoglass and ES are the sole shareholders, an aggregate of 20,567,141 ordinary shares, or approximately 87% of the outstanding ordinary shares. Pursuant to the agreement and plan of reorganization, we also issued to Energy Holding Corp. an additional 500,000 ordinary shares upon the achievement of specified EBITDA targets in the fiscal year ended December 31, 2014 and we will issue 1,000,000 ordinary shares upon achievement of specified EBITDA target in the fiscal year ended December 31, 2015. Additionally, Energy Holding Corp. also has the contractual right to receive an additional 1,500,000 ordinary shares, to be released upon the attainment of specified share price targets or targets based on our EBITDA in the fiscal year ending December 31, 2016.

In connection with the Merger, we changed our name to “Tecnoglass Inc.” We also changed our fiscal year end from February 28 to December 31 in order to coincide with the fiscal year end of Tecnoglass Holding and its subsidiaries.

In 2014, we established two entities in South Florida, Tecno LLC and Tecno RE, to acquire manufacturing and sales-related assets to support sales and customer service in the United States.

### **Additional Information About the Company**

We maintain websites for our subsidiaries, TG and ES, which can be found at [www.tecnoglass.com](http://www.tecnoglass.com) and [www.energiasolarsa.com](http://www.energiasolarsa.com), respectively. Although we do not have a website dedicated to Tecnoglass Inc., the corporate filings of Tecnoglass Inc., including our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, our proxy statements and reports filed by our executive officers and directors under Section 16(a) of the Securities Exchange Act, and any amendments to those filings, are available free of charge on the Investor Relations page of each of the subsidiary websites, which are updated as soon as reasonably practicable after we electronically file (or furnish in certain cases) such material with the Securities and Exchange Commission, and can also be found at the SEC's website at <http://sec.gov>. We do not intend for information contained in either subsidiary website, including the Investor Relations pages, to be a part of this Form 10-K. Also, the public may read and copy any materials the Company files with the SEC at the SEC' public reference room at 100 F St NE, Washington D.C, 20549 or by calling 1-800-SEC-0330.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act (or JOBS Act), and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. However, we have irrevocably opted not to take advantage of one such exemption which would have allowed us an extended transition period for complying with new or revised accounting standards. We are, and will continue to be, subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We could remain an emerging growth company until the last day of our fiscal year following March 22, 2017 (the fifth anniversary of the consummation of our initial public offering). However, if our non-convertible debt issued within a three-year period or our total revenues exceed \$1 billion or the market value of our ordinary shares that are held by non-affiliates exceeds \$700 million on the last day of the second fiscal quarter of any given fiscal year, we would cease to be an emerging growth company as of the following fiscal year.

### **Item 1A. Risk Factors.**

Not Applicable.

**Item 1B. Unresolved Staff Comments.**

Not Applicable.

## **Item 2. Properties.**

We own and operate a 2.8 million square foot manufacturing complex located in Barranquilla, Colombia. This manufacturing campus houses a glass production plant, aluminum plant and window and facade assembly plant. The glass plant has four lamination machines with independent assembly rooms, six specialized tempering furnaces and glass molding furnaces, a computer numerical-controlled profile bending machine, as well as five silk-screening machines. The Alutions plant has an effective installed capacity of 1,000 tons per month and can create a variety of shapes and forms for windows, doors and related products. We also own three natural gas power generation plants with a capacity of 1,750 kilowatts each which supply the electricity requirements of the entire manufacturing complex and are supported by three emergency generators.

In December 2014, we acquired a 160,000 square foot manufacturing and warehousing facility in Miami-Dade County, Florida, United States. The facility houses manufacturing and assembly equipment, warehouse space, and administrative and sales offices.

We believe that our existing properties are adequate for the current operating requirements of our business and that additional space will be available as needed.

## **Item 3. Legal Proceedings.**

TG is a named defendant in the matter of Diplomat Properties, Limited Partnership as assignee of Shower Concepts, Inc. versus Tecnoglass Colombia, S.A. et al., Case No. CACE 11-02811(09), 17th Judicial Circuit in and for Broward County, Florida. Plaintiff Diplomat Properties, Limited (“Diplomat”) has asserted a claim for indemnification against TG and Tecnoglass USA, a related party. The claim arises from the supplying of glass shower doors to a hotel/spa in Broward County, Florida. Specifically, in 2006, Diplomat commenced arbitration against Shower Concepts, Inc. seeking damages for breach of contract due to fractures in the installed glass shower doors. The claim was based upon a contract between Diplomat and Shower Concepts for the sale and installation of glass shower and bath doors to be used by Diplomat in hotel that it owned. Shower Concepts chose not to defend against the breach of contract claim and in 2007, the arbitrator rendered an award in the amount of approximately \$2 million in favor of Diplomat and against Shower Concepts. The award was confirmed by the Circuit Court and, on July 23, 2008, a final judgment for breach of contract was entered against Shower Concepts. No appeal of the decision was made. On August 11, 2009, Shower Concepts assigned its rights under the contract to Diplomat. On November 9, 2011, Diplomat initiated the underlying action against the Tecnoglass entities and co-defendant, Guardian Industries Corp. The complaint asserted various claims which were dismissed with prejudice. The only remaining claim against the Tecnoglass entities is common law indemnification. TG denies liability and asserts that Shower Concepts was at fault and that as a joint tortfeasor, it cannot sue for indemnity. The claim was settled in December 2015 at no cost to the Company.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

## PART II

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

Currently, our ordinary shares are listed on the NASDAQ Capital Market under the symbol TGLS, and our warrants are quoted on the OTC Pink marketplace under the symbol TGLSW. Effective January 6, 2016, the Company's shares also commenced trading on the Bolsa de Valores de Colombia ("BVC"), the principal stock exchange of Colombia, under the symbol TGLSC. The listing of the Company's shares on the BVC is secondary to the primary listing on the NASDAQ Market. No new shares were issued in connection with the admission to trading on the BVC.

Until January 2014, our warrants were listed on the NASDAQ Capital Market. Prior to the Merger, the trading symbols of our ordinary shares and warrants were ANDA and ANDAW, respectively. From March 2012 through November 2013, our units, sold in our IPO and described elsewhere in this Form 10-K, were traded on the NASDAQ Capital Market under the symbol ANDAU. However, as a condition to the Merger, we separated the units into their component securities (one ordinary share and one warrant) on a mandatory basis and the units ceased public trading.

The following table sets forth the high and low sales prices for our ordinary shares and warrants for the periods indicated since our ordinary shares and warrants commenced trading on May 10, 2012.

Period	Ordinary Shares		Warrants	
	High	Low	High	Low
Fiscal 2016:				
First Quarter*	\$14.30	\$9.82	\$5.60	\$3.01
Fiscal 2015:				
Fourth Quarter	\$15.59	\$13.05	\$9.00	\$5.02
Third Quarter	\$15.95	\$12.39	\$5.96	\$4.27
Second Quarter	\$13.74	\$8.50	\$5.00	\$2.05
First Quarter	\$10.73	\$9.16	\$2.75	\$2.20
Fiscal 2014:				

Edgar Filing: Tecnoglass Inc. - Form 10-K

Fourth Quarter	\$12.00	\$9.80	\$3.44	\$2.10
Third Quarter	\$12.29	\$10.70	\$4.15	\$3.06
Second Quarter	\$15.00	\$10.20	\$4.85	\$2.20
First Quarter	\$11.15	\$8.50	\$2.95	\$1.08

\* Through March 30, 2016.

## Holders

As of December 31, 2015, there were 318 holders of record of our ordinary shares and 14 holders of record of our warrants.

## Dividends

We have not paid any dividends on our ordinary shares to date. On April 14, 2015, the Company's Board of Directors authorized the payment of regular quarterly dividends to holders of its ordinary shares at a quarterly rate of \$0.125 per share (or \$0.50 per share on an annual basis). As of December 31, 2015 no dividends have been declared. The Board of Directors subsequently approved an Exchange Offer as amended to exchange all of the Company's outstanding warrants in exchange for ordinary shares of the Company at conversion ratio of 2.3 warrants in exchange for one ordinary share (subsequently amended to 2.5 warrants for one ordinary share). The Exchange Offer will remain open for a period of at least 30 business days once exchange documentation is sent to warrant holders and the first quarterly dividend payment will be made to shareholders of record 15 days after the end of the Exchange Offer. As of April 1, 2016, the SEC had not yet declared effective the Exchange Offer.

### **Purchases of Equity Securities by Issuer and Affiliates**

No purchases of our equity securities have been made by us or affiliated purchasers within the fourth quarter of the fiscal year ended December 31, 2015.

### **Item 6. Selected Financial Data.**

Not Applicable.

### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and notes to those statements included in this Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Please see the section entitled "Forward-Looking Statements and Introduction" in this Form 10-K.*

#### **Overview**

We are a holding company operating through our wholly-owned subsidiaries: TG, which manufactures, transforms, markets and exports a variety of glass products since 1994 and established the Alutions plant in 2007 for aluminum products, and ES, a leader in the production of high-end windows and architectural glass systems. We have more than 30 years' experience in the glass and aluminum structure assembly market in Colombia.

We manufacture hi-specification architectural glass and windows for the global residential and commercial construction industries. Currently we offer design, production, marketing, and installation of architectural systems for buildings of high, medium and low elevation size. Products include windows and doors in glass and aluminum, floating façades, office partitions and interior divisions, and commercial window showcases.

In recent years, we have expanded our US sales outside of the Florida market, entering into high-tech markets for curtain walls, obtaining a niche market access since this product is in high demand and marks a new trend in architecture. This product is a very sophisticated product and therefore garners high margins for us. These products



involve high performance materials that are produced by Alutions and TG with state of the art technology.

In Panama, ES sells products primarily to companies participating in large construction projects in the most exclusive areas of the city. For example, ES products were supplied in the construction of the tallest building in Central and South America, The Point, as well as in the construction of the most modern hotels in the region such as Megapolis and The Trump. Based on ES's knowledge of the construction market in Central America, ES has entered into one of the highest value window supply contracts in the hotel industry in Central America for the Soho Plaza.

## **How We Generate Revenue**

TG manufactures both glass and aluminum products. Its glass products include tempered glass, laminated glass, thermo-acoustic glass, curved glass, silk-screened glass, and digital print glass as well as mill finished, anodized, painted aluminum profiles and produces rods, tubes, bars and plates.

Window production lines are defined depending on the different types of windows: normal, impact resistant, hurricane-proof, safety, soundproof and thermal. ES produces fixed body, sliding windows, projecting windows, guillotine windows, sliding doors and swinging doors. ES produces façade products which include: floating facades, automatic doors, bathroom dividers and commercial display windows.

TG sells to over 400 customers using several sales teams based out of Colombia to specifically target regional markets in South, Central and North America. TG has sales representatives in the United States to address that market specifically. In addition, TG has approximately 10 free-lance sales representatives in North America.

ES sells its products through four main offices/sales teams based out of Colombia, Panama and the US. The Colombia sales team is our largest sales group, which has deep contacts throughout the construction industry. The Colombia sales team markets both ES's products as well as installation services. The Peruvian office is responsible for South American sales, excluding Colombia. Sales forces in Panama and in the US are not via subsidiaries but under agreements with sales representatives. ES has two types of sales operations: Contract sales, which are the high-dollar, specifically-tailored customer projects; and Standard Form Sales.

## **Liquidity and Cash Flow**

During the years ended December 31, 2015 and 2014, \$0.8 million and \$4.8 million, respectively, were generated and used in operations, respectively. Principal uses of cash were accounts receivable and inventories. While the trade accounts receivable cycle improved from 82 days in 2014 to 80 days in 2015, due to the increase in revenues, trade accounts receivable resulted in a use of \$22.9 million. \$27.8 million were used in inventories as the Company's inventory levels have risen due to strategic purchases of aluminum in order to protect prices and secure the raw materials necessary to fulfill the Company's backlog.

During the years ended December 31, 2015 and 2014, \$10.4 million and \$9.2 million were generated from debt, respectively (excluding other financing activities). Principal use of debt proceeds has been used in the acquisition of property and equipment. However, most of the company's acquisitions of property and equipment have been financed with capital leases and debt.

As of December 31, 2015 and December 31, 2014, we had cash and cash equivalents of approximately \$18.5 million and \$15.9 million, respectively. We expect that cash flow from operations, proceeds from borrowings under our lines of credit, including the refinancing discussed below, and the proceeds from the 2013 Merger will be our primary sources of liquidity and will be sufficient to fund our cash requirements for the next twelve months.

As a subsequent event, on January 7, 2016, we entered into a \$109.5 million, seven-year senior secured credit facility. Proceeds from the new facility were used to refinance \$83.5 million of existing debt, with the remaining \$26.0 million available to the Company for capital expenditures and working capital needs. Approximately \$51.6 million of the new facility were used to refinance current borrowings into long term debt. The Company's consolidated balance sheets as of December 31, 2015 reflects the effect of this refinance of the Company's current portion of long term debt and other current borrowings into long term debt based on the Company's intent as of that date. The new facility features two tranches, including one tranche denominated in USD representing 71% of the facility and another tranche denominated in Colombian Pesos (COP) representing the remaining 29%. Borrowings under the facility will bear interest at a weighted average interest rate of 7% for the first year, and thereafter at a rate of LIBOR plus 5.25% and DTF (Colombian index) plus 5.00% for the respective USD and COP denominated tranches.

Additionally, until the redemption of certain warrants and unit purchase options or their expiration in December 2016, we could receive up to \$56.0 million from the exercise of warrants and unit purchase options comprised of: up to \$33.5 million upon the exercise of all of the insider warrants and working capital warrants, up to \$1.0 million upon the exercise of the unit purchase options, up to \$0.8 million upon the exercise of the warrants underlying such unit purchase options and up to \$20.7 million upon the exercise of the warrants issued in our IPO. As of December 31, 2014, 102,570 warrants have been exercised for proceeds of \$0.8 million. During the year ended December 31, 2015 there were no warrants exercised for cash.

**Capital Resources**

We transform glass and aluminum into high specification architectural glass which requires significant investments in state of the art technology. During the years ended December 31, 2015 and 2014, we made investments primarily in building and construction, and machinery and equipment in the amount of \$80.2 million and \$56.6 million, respectively.

In August 2014, we entered into a contract to purchase equipment from Magnetron Sputter Vacuum Deposition to produce soft coated low emissivity glass as part of our improvements plan that entered production in the last quarter of 2015. The investment for this project is estimated at \$45 million for the equipment and facilities, financed primarily with a credit facility with an export credit guarantee by the German Federal Government.

**Restatement**

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the restatement adjustments made to the previously reported Consolidated Financial Statements for the year ended December 31, 2014. For additional information and a detailed discussion of the restatement, see Note 2, "Restatement" to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 15, "Exhibits, Financial Statement Schedules".

**Results of Operations (Amounts in thousands)**

	For the Years ended December 31,	
	2015	2014 (Restated)*
Net operating revenue	\$238,833	\$ 197,452
Cost of sales	153,252	131,156
Gross Profit	85,581	66,296
Operating expenses	46,499	39,064
Operating income	39,082	27,232

Edgar Filing: Tecnoglass Inc. - Form 10-K

Change in fair value of warrant liability	(24,901 )	(1,711 )
Change in fair value of earnout share liability	(10,858 )	(10,807 )
Non-operating income, net	13,877	12,235
Interest expense	(9,274 )	(8,900 )
Income tax provision	(20,691 )	(8,538 )
Net (loss) income	\$(12,765 )	\$ 9,511

(\*) The data presented represents financial data on a restated basis. For more information on the restatement, see Note 2, "Restatement" to the Notes to our consolidated financial statements included in this Annual Report under the caption Item 15, "Exhibits, Financial Statement Schedules".

## Comparison of years ended December 31, 2015 and December 31, 2014

### Revenue

Our operating revenue increased from \$197.5 million in 2014 to \$238.8 million in 2015, or 21%. The increase mostly was driven by planning strategies designed to increase participation in the U.S. market.

The increase is partially due to high quality, reliability, and competitive prices which allowed us to further penetrate our existing markets and sell a larger volume of Company products. Sales in the U.S. market accounted for a \$40.2 million increase, which represents 39.6% as compared to 2014. The increase is also partially due to a diversification of markets within the country since our sales in the U.S. have historically been in the South Florida region where sales continue to increase significantly, but have also expanded to other regions of the United States. Sales to the US markets include, in average, more sophisticated products than the other markets in which the Company participates which also makes them higher priced products. Sales in Colombia, priced in Colombian pesos, increased by \$1.2 million, or approximately 2%, however, in terms of local currency represented a 39% increase, offset by unfavorable exchange rates. Sales in Panama decreased by \$4.0 million, or 35%, and sales to other territories increased by \$4.0 million, which represents a 90% increase.

### Cost of sales and gross profit margins

Cost of sales increased \$22.1 million or 17% from \$131.2 million during the year ended December 31, 2014 to \$153.3 million during the year ended December 31, 2015, below the growth in the Company's operating revenue. Sales margins calculated by dividing the gross profit by operating revenue increased from 34% to 36% between the years ended December 31, 2014 and 2015, respectively. We believe this is the result of a combination of favorable exchange rates for fixed costs in Colombian pesos, as well as a higher degree of vertical integration in which more Company products are used as raw materials to manufacture other finished goods. The amount of Company products used to manufacture other products increased from 27% of total consolidated sales during the year ended December 31, 2014 to 29% during the year ended December 31, 2015.

### Operating Expenses

Selling, general and administrative expenses increased 19%, or \$7.4 million, from the year ended December 31, 2014 to December 31, 2015. The principal factors of this increase were an increase of \$2.1 million in shipping expense as sales to more distant markets increase, \$1.4 million in sales commissions as part of our efforts to increase sales in the United States, \$1.3 million bad debt write-offs and a Capital Tax levied on the Colombian subsidiaries in the

Colombian tax reform of December 2014 that amounted to \$0.9 million in 2015. Additionally, there were smaller increases of \$0.8 million in higher depreciation and amortization, primarily for assets acquired during 2014 from RC Aluminum and Glasswall LLC, an increase in consulting fees of approximately \$0.6 million as well as \$0.5 million higher publicity related expenses and other small increases partially offset with decreases of Colombian Peso denominated expenses, such as personnel which decreased approximately \$0.3 million due to favorable exchange rates, in spite of there being 255 more employees hired.

#### **Change in Fair Value of Warrant Liability**

We incurred a non-cash, non-operating loss of \$24.9 million in the year ended December 31, 2015 due to the increase in the fair value of warrants relative to their last reported fair value at December 31, 2014. The fair value of the warrants changes in response to market factors not controlled by us such as the market price of our shares and the volatility index of comparable companies. There are no income tax effects of this warrant liability due to our company being registered in the Cayman Islands. Management does not consider the effects of the change in the fair value of the warrants to be indicative of our ongoing operating performance.

#### **Change in Fair Value of Earnout share liability**

We incurred a non-cash, non-operating loss of \$10.9 million in the year ended December 31, 2015 due to the increase in the fair value of earnout share liability relative to their last reported fair value at December 31, 2014. The fair value of the earnout shares changes in response to market factors such as the market price of our shares and the volatility index of comparable companies and the Company's forecasted EBITDA. There are no income tax effects of this earnout liability due to our company being registered in the Cayman Islands. Management does not consider the effects of the change in the fair value of the earnout shares to be indicative of our ongoing operating performance.

#### **Interest Expense**

Between the years ended December 31, 2015 and 2014, interest expense increased by \$0.4 million, or approximately 4%, from \$8.9 million to \$9.3 million as our debt increased from \$94.2 million as of December 31, 2014 to \$138.4 million in December 31, 2015.

#### **Non-Operating Income**

Non-operating income increased \$1.7 million, from \$12.2 million in the year ended December 31, 2014 to \$13.9 million in the year ended December 31, 2015, primarily as a result of an increase in financial revenues of \$1.1 million

comprised of interest income on receivable, as well as recoveries of scrap materials of \$0.5 million. Non-Operating Income is comprised mostly of foreign currency transaction gains which amounted to \$10.1 million and \$10.8 million during the year ended December 31, 2015 and 2014, respectively, related to the Company's Colombian subsidiaries ES and TG which have the Colombian Peso as functional currency, yet have important US Dollar denominated transactions.

**Off-Balance Sheet Arrangements**

We did not have any material off-balance sheet arrangements as of December 31, 2015.

**Contractual Obligations**

Future contractual obligations represent an impact to future cash flows as shown in the table for the period ended December 31, 2015:

Contractual Obligations	Payments Due by Period (In thousands)				
	TOTAL	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt Obligations	\$ 112,332	\$ 20,961	\$ 15,736	\$ 25,740	\$ 49,895
Interest Obligations	32,972	6,370	12,209	9,860	4,533
Capital Lease Obligations	26,082	2,851	4,985	7,887	10,359
Total	\$ 171,386	\$ 30,182	\$ 32,930	\$ 43,487	\$ 64,787

Future interest obligations are estimated assuming constant reference rates for obligations with variable interest rates. The average interest rate is approximately 7.3% and 10.4% per annum for long term debt and capital lease obligations respectively, and can vary up or down in accordance with money market rates in Colombia.

**Critical Accounting Policies**

The preparation of financial statements in conformity with U.S. GAAP requires that management make significant estimates and assumptions that affect the assets, liabilities, revenues and expenses, and other related amounts during the periods covered by the financial statements. Management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increases, these judgments become more subjective and complex. We have identified the following accounting policies as the most important to the portrayal of our current financial condition and results of operations.



*Revenue Recognition*

Our principal sources of revenue are derived from product sales of manufactured glass and aluminum products. Delivery to the customer is deemed to have occurred when the title is passed to the customer. Generally, the title passes to the customer upon shipment, but could occur when the customer receives the product based on the terms of the agreement with the customer. The selling prices of all goods that the Company sells are fixed, and agreed to with the customer, prior to shipment. Selling prices are generally based on established list prices.

The Company recognizes revenue for standard form sales. Standard form sales are customer sales comprising low value installations that are of short duration. A standard form agreement is executed between the Company and its customer. Services are performed by the Company during the installation process. The price quote is determined by the Company, based on the requested installation, and approved by the customer before the Company proceeds with the installation. The customer's credit worthiness and payment capacity is evaluated before the Company will proceed with the initial order process.

Revenues from fixed price contracts, which represent approximately 22% of the Company's sales for the year ended December 31, 2015 are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. These contracts typically have a duration ranging between one and three years. Revenues recognized in advance of amounts billable pursuant to contracts terms are recorded as unbilled receivables on uncompleted contracts based on work performed and costs to date. Unbilled receivables on uncompleted contracts are billable upon various events, including the attainment of performance milestones, delivery and installation of product, or completion of the contract. Revisions to cost estimates as contracts progress have the effect of increasing or decreasing expected profits each period. Changes in contract estimates occur for a variety of reasons, including changes in contract scope, estimated revenue and cost estimates. Change in contract estimates have not had a material effect on our financial statements.

*Related party transactions*

The Company has related party transactions such as sales, purchases, leases, guarantees, and other payments. We perform a related party analysis to identify transactions to disclose quarterly. Depending on the transactions, we aggregate some related party information by type. When necessary we also disclose the name of a related party, if doing so is required to understand the relationship.

*Estimation of Fair Value of warrant liability*

The best evidence of fair value is current prices in an active market for similar financial instruments. We determine the fair value of warrant liability by the Company using the Binomial Lattice pricing model. This model is dependent

upon several variables such as the instrument's expected term, expected strike price, expected risk-free interest rate over the expected instrument term, the expected dividend yield rate over the expected instrument term and the expected volatility of the Company's stock price over the expected term. The expected term represents the period of time that the instruments granted are expected to be outstanding. The expected strike price is based upon a weighted average probability analysis of the strike price changes expected during the term as a result of the down round protection. The risk-free rates are based on U.S. Treasury securities with similar maturities as the expected terms of the options at the date of valuation. Expected dividend yield is based on historical trends. The Company measures volatility using a blended weighted average of the volatility rates for a number of similar publicly-traded companies. The inputs to the model were stock price, dividend yield, risk-free rate, expected term and volatility.

In general, the inputs used are unobservable; therefore unless indicated otherwise, warrant liability is classified as level 3 under guidance for fair value measurements hierarchy.

*Estimation of Fair Value of Earnout share liability*

The best evidence of fair value is current prices in an active market for similar financial instruments. We determine the fair value of earnout share liability by the Company using Monte Carlo simulation, which models future EBITDA and stock prices during the earn-out period using the Geometric Brownian Motion. This model is dependent upon several variables such as the instrument's expected term, expected risk-free interest rate over the expected instrument term, the equity volatility of the Company's stock price over the expected term, the asset volatility, and the Company's forecasted EBITDA. The expected term represents the period of time that the instruments granted are expected to be outstanding. The risk-free rates are based on U.S. Treasury securities with similar maturities as the expected terms of the options at the date of valuation. The Company measures volatility using a blended weighted average of the volatility rates for a number of similar publicly-traded companies. The inputs to the model were stock price, risk-free rate, expected term and volatility.

In general, the inputs used are unobservable; therefore unless indicated otherwise, earnout share liability is classified as level 3 under guidance for fair value measurements hierarchy.

*Derivative Financial Instruments*

We conduct interest rate swap (IRS) transaction with key non-related financial entities to reduce the effect of interest rate fluctuations as economic hedges against interest rate risk. We have designated these derivatives at fair value and the accounting for changes is recorded in the statement of operations. The inputs used are similar to the prices for similar assets and liabilities in active markets directly or indirectly through market corroboration; therefore unless indicated otherwise, derivatives are classified as level 2 under guidance for fair value measurements hierarchy.

*Foreign currency transactions*

The functional currency of most of the Company's foreign subsidiaries and branches is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates during the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive earnings within stockholders' equity. The Company also recognizes gains and losses associated with transactions that are denominated in foreign currencies within non-operating income in the Company's consolidated statement of operations.

*Income taxes*

The Company is subject to income taxes in some jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### *Business combinations*

We allocate the total purchase price of the acquired tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the business combination date, with the excess purchase price recorded as goodwill. The purchase price allocation process required us to use significant estimates and assumptions, including fair value estimates, as of the business combination date. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired company, in part based on valuation models that incorporate projections of expected future cash flows and operating plans and are inherently uncertain. Valuations are performed by management or third party valuation specialists under management's supervision. In determining the fair value of assets acquired and liabilities assumed in business combinations, as appropriate, we may use one of the following recognized valuation methods: the income approach (including the cost saving method and the discounted cash flows from relief from royalty), the market approach and/or the replacement cost approach.

Examples of significant estimates used to value certain intangible assets acquired include but are not limited to:

- sales volume, pricing and future cash flows of the business overall

- future expected cash flows from customer relationships, and other identifiable intangible assets, including future price levels, rates of increase in revenue and appropriate attrition rate

- the acquired company's brand and competitive position, royalty rate, as well as assumptions about the period of time the acquired brand will continue to benefit to the combined company's product portfolio

- cost of capital, risk-adjusted discount rates and income tax rates

However, different assumptions regarding projected performance and other factors associated with the acquired assets may affect the amount recorded under each type of assets and liabilities, mainly between property plant and equipment, intangibles assets, goodwill and deferred income tax liabilities and subsequent assessment could result in future impairment charges. The purchase price allocation process also entails us to refine these estimates over a

measurement period not to exceed one year to reflect new information obtained surrounding facts and circumstances existing at acquisition date.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not Applicable.

**Item 8. Financial Statements and Supplementary Data.**

This information appears following Item 15 of this Report and is included herein by reference.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of Tecnoglass, Inc.'s "disclosure controls and procedures" as of the end of the period covered by this Annual Report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, because of the material weaknesses in our internal control over financial reporting described below, our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, were not effective as of December 31, 2015. Notwithstanding the material weaknesses in our internal control over financial reporting as of December 31, 2015 described below, we believe the consolidated financial statements are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented herein.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

A company's internal control over financial reporting includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2015, based on criteria set forth in the "*Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*".

Based on this evaluation, our management concluded that, because of the material weaknesses described below, our internal control over financial reporting as of December 31, 2015, was not effective.

A "material weakness" is a deficiency or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have identified, as of December 31, 2015, the following material weaknesses in our internal control over financial reporting:

Entity-Level Controls - The Company has not finished the process of establishing the proper design of the Entity Level Controls which support the effectiveness of the internal control over financial reporting, therefore, certain deficiencies in these controls may not assure the proper control environment for risk and fraud management. Regarding the Information Technology General Controls (ITGC's), we determined the designed controls did not operate effectively in order to prevent, detect and correct errors or prevent frauds within the Information Technology environment.

Financial Closing and Reporting Process - We have not implemented controls over the identification, accounting treatment classification and nature of non-routine, unusual transactions, inclusive of significant related party transactions and for policies related to management evaluation of certain accounting estimates. Specifically we determined several controls deficiencies that resulted in audit adjustments to the company's consolidated financial statements regarding warrant liabilities, earnout shares, shipping costs, netting of deferred taxes, revenue from related parties, earnings per share calculations, cash flow statement preparation, sale leaseback transactions and the classification of debt instruments. The aforementioned transactions' accounting treatment affected financial statements assertions such as completeness, accuracy, rights and obligations, cutoff and presentation and disclosure related to assets, liabilities, equity, revenues, operating and non-operating income and expense accounts. Regarding the basis for calculating diluted earnings per share, we did not adequately take into account the effect of dilutive earnout shares.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

#### **Remediation regarding the Revenue Recognition Material Weakness identified for the Fiscal Year Ended December 31, 2014**

As stated in our annual report on Form 10K, for the fiscal year ended December 31, 2014, management identified some material weakness in our processes regarding Revenue Recognition.

In September of 2015, the Company implemented the required controls and additional procedures in order to improve the processes related to the Percentage of Completion Method, which allowed for a more accurate and reliable information. The Company's remediation actions included:

- Assurance of the Percentage of Completion Method completeness by validating the information source (i.e. contract price, initial estimated cost, period actual invoicing, accumulated invoicing, actual cost) contained in our Enterprise Resource Planning ("ERP"). In addition, validation of changes in contract prices and costs.

- Review of the projects advance with Project Managers and reconciling the costs recorded in our ERP.

- Monthly comparison between actual costs and amounts recorded in our ERP and information oversight (i.e. accounts receivable, engineering, invoicing and finance) for performing the projects closing process in our ERP.



Once the Percentage of Completion Method is automatically calculated in our ERP, several manual controls were established for validating accuracy, completeness and cutoff.

- Disclosures regarding revenue recognition are documented in a checklist approved by the Disclosure Committee.

The controls implemented through the remediation plan were validated by our Internal Control staff, as follows:

- Comparison between the SAP Percentage of Completion calculation and the spreadsheet results.
- Review of project advancement with Project Managers.
- Validation of the journal entries approval by our CFO.
- New projects' accounting treatment review related to the Percentage of Completion Method.
- Project closing review in our ERP.
- Monitoring significant changes regarding the Percentage of Completion Method.

**Remediation regarding the Entity Level Controls and ITGC's Material Weakness identified for the Fiscal Year Ended December 31, 2015 and 2014**

Created an internal control department with five experienced members who are now leading the SOX Compliance project and the internal audit procedures. Developed the internal audit plan for strengthening our control activities and therefore our Entity Level Controls.

Contracted a co-sourcing with Deloitte for identifying risks and implementing internal controls over financial reporting in order to become SOX compliant. As of December 31, 2015, a total of 256 SOX control were designed. Plan to start performing quarterly SOX control tests beginning in May 2016 in order to ensure that such controls are appropriately designed and effectively operating.

Created a Financial Reporting unit in the United States responsible for the SEC reporting process and implementing SOX controls related to financial reporting.

Trained our international finance and accounting personnel considering relevant topics under USGAAP based on the company's transactions (i.e. revenue recognition, inventories, long-lived assets, financial instruments, deferred taxes, etc.).

Increased management oversight by creating a Disclosure Committee comprised of senior managers with responsibility for responding to issues raised during the financial reporting process and assessing disclosure completeness.

Performed the ERP users roles analysis, segregation of duties and the internal audit of the IT issues. In addition, key account processes such as Percentage of Completion (POC), Financial Instruments Management, depreciation and amortization and foreign exchange calculations were automated. Plan to acquire and implement a software for optimizing the Information Systems Access Management in April 2016. Regarding the Information Technology General Controls (ITGC's), control operating effectiveness testing is planned to be performed quarterly beginning in May, 2016, in order to prevent, detect and correct errors or prevent frauds within the Information Technology environment.

Implemented a reporting channel (i.e. Web Case Management and Hotline) with NAVEX Global for reporting violations to our Code of Ethics. Established an ethics training for our personnel to begin in March 2016; furthermore, we will create a public reporting channel in case of ethical dilemmas so that our Corporate Governance may strengthen.

**Financial Closing and Reporting:** We performed additional manual procedures and analysis such as validation of sources of information that impact our financial statements, the translation process into US GAAP and other post-closing procedures in order to prepare the consolidated financial statements and disclosures included in this Annual Report. In addition, during the fourth quarter of 2015, implemented 34 SOX controls in order to comply with the aforementioned procedures, as follows:

Established formal procedures for appropriately performing the closing related activities, journal entries and accruals.

Implemented reconciliation processes for validating intercompany and related party transactions and key balance sheet accounts such as accounts receivable, inventories, property, plant and equipment, payroll, payables and debt.

Designed a formal review process for unusual transactions in order to determine the proper accounting treatment and developed procedures that improved the interim and annual financial statements review. Review and update the accounting policies that address the appropriate procedures for significant, non-routine, unusual, or complex events or transactions. Strengthen the process for reconciling and determining the appropriate recording for related party transactions.

### **Changes in Internal Control Over Financial Reporting**

As discussed in the sections “Remediation of Material Weaknesses in Internal Control over Financial Reporting” and “Managements Actions to Remediate Material Weaknesses”, there were changes in our internal control over financial reporting during the fourth quarter of 2015.

### **Item 9B. Other Information.**

None.

PART III

**Item 10. Directors, Executive Officers and Corporate Governance.**

**Directors and Executive Officers**

Our current directors and executive officers are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
José M. Daes	55	Chief Executive Officer and Director
Christian T. Daes	51	Chief Operating Officer and Director
Joaquin Fernandez	55	Chief Financial Officer
A. Lorne Weil	65	Non-Executive Chairman of the Board
Samuel R. Azout	56	Independent Director
Juan Carlos Vilariño	53	Independent Director
Martha (Stormy) L. Byorum	61	Independent Director
Julio A. Torres	48	Independent Director

**José M. Daes** has served as our chief executive officer and a director since December 2013. Mr. Daes has over 30 years' experience starting and operating various businesses in Colombia and the U.S. Mr. Daes has served as chief executive officer of ES since its inception in 1984, responsible for all aspects of ES's operations. Mr. Daes began his career in textiles, importing textiles from Japan to Colombia and later owned and operated an upscale clothing store with multiple locations in Miami. Mr. Daes is the older brother of Christian T. Daes, our chief operating officer and director.

We believe Mr. Daes is well-qualified to serve as a member of our board of directors due to his operational experience with ES and TG and his knowledge of the industry within which they operate.

**Christian T. Daes** has served as our chief operating officer and a director since December 2013. Mr. Daes has served as the chief executive officer of Tecnoglass since its inception in 1994, responsible for all aspects of Tecnoglass's operations. Mr. Daes's philanthropic activities include founding the Tecnoglass-ES Windows Foundation, which promotes local development, health and social programs in Barranquilla, Colombia. Mr. Daes is the younger brother of José M. Daes, our chief executive officer and director.

We believe Mr. Daes is well-qualified to serve as a member of our board of directors due to his operational experience with ES and TG and his knowledge of the industry within which they operate.

**Joaquín F. Fernández** has served as our chief financial officer since December 2013 and the chief financial officer for TG and ES since 2007. He has also served as a director of ES since January 2002. Mr. Fernández oversees the gathering, reporting, presentation and interpretation of the historical financial information for us and our subsidiaries, as well as implementation of financial strategy for us. Prior to joining TG and ES, Mr. Fernández worked at fuel distribution, outsourcing, and public utility companies.

**A. Lorne Weil** has served as a member of our board of directors and non-executive chairman of the board since our inception. He has also served as a director of Sportech Plc, one of the largest suppliers and operators of pools/tote (often also referred to as pari-mutuel) betting in the world, since October 2010. From October 1991 to November 2013, Mr. Weil served as chairman of the board of Scientific Games Corporation, a supplier of technology-based products, systems and services to gaming markets worldwide, and served as its chief executive officer from April 1992 until November 2013. Mr. Weil also served as president of Scientific Games from August 1997 to June 2005. From 1979 to November 1992, Mr. Weil was president of Lorne Weil, Inc., a firm providing strategic planning and corporate development services to high technology industries. Previously, Mr. Weil was vice president of corporate development at General Instrument Corporation, working with wagering and cable systems.

We believe Mr. Weil is well-qualified to serve as a member of our board of directors due to his extensive business experience in strategic planning and corporate development, his contacts he has fostered throughout his career, as well as his operational experience.

**Samuel R. Azout** has served on our board of directors since December 2013 and on the board of TG since February 2009. Since March 2013, Mr. Azout has served as an investment manager for Abacus Real Estate. From January 2012 to March 2013, Mr. Azout served as the chief executive officer of the National Agency for Overcoming Extreme Poverty in Colombia, an organization formed by the government of Colombia to assist families in poverty. From September 2008 to January 2012, Mr. Azout was the senior presidential advisor for Social Prosperity, employed by the administration of the President of Colombia. Prior to this, Mr. Azout served as chief executive officer of Carulla Vivero S.A., the second largest retailer in Colombia, for 10 years, until he led its sale to Grupo Exito in 2006.

We believe Mr. Azout is well-qualified to serve as a member of our board of directors due to his contacts and business relationships in Colombia.

**Juan Carlos Vilariño** has served on our board of directors since December 2013, on the board of TG since November 1995 and on the board of ES since March 1997. Mr. Vilariño has worked as the general manager of various business highway concession consortiums in Colombia including the Malla Vial del Atlántico Highway Concession Consortium since 1993 and the Barranquilla-Ciénaga Highway Concession consortium since 1999. Mr. Vilariño began his career as the assistant vice president in the general consulting department of Finance Corporation of the North, S.A. We believe Mr. Vilariño is well-qualified to serve as a member of our board of directors due to his contacts and business relationships in Colombia.

**Martha (Stormy) L. Byorum** has served as a member of our board of directors since November 2011. Ms. Byorum is founder and chief executive officer of Cori Investment Advisors, LLC (Cori Capital), a financial services entity that was most recently (January 2005 through August 2013) a division of Stephens Inc., a private investment banking firm founded in 1933. Ms. Byorum was also an executive vice president of Stephens Inc. from January 2005 until August 2013. From March 2003 to December 2004, Ms. Byorum served as chief executive officer of Cori Investment Advisors, LLC, which was spun off from VB&P in 2003. Ms. Byorum co-founded VB&P in 1996 and served as a Partner until February 2003. Prior to co-founding VB&P in 1996, Ms. Byorum had a 24-year career at Citibank, where, among other things, she served as chief of staff and chief financial officer for Citibank's Latin American Banking Group from 1986 to 1990, overseeing \$15 billion of loans and coordinating activities in 22 countries. She was later appointed the head of Citibank's U.S. Corporate Banking Business and a member of the bank's Operating Committee and a Customer Group Executive with global responsibilities.

Ms. Byorum is a Life Trustee of Amherst College and a chairman of the finance committee of the board of directors of Northwest Natural Gas, a large distributor of natural gas services in the Pacific Northwest.

We believe Ms. Byorum is well-qualified to serve as a member of the board of directors due to her operational experience with Cori Capital Advisors, VB&P and Citibank and her financial background, which includes having served on the audit committees of four publicly-traded companies.

**Julio A. Torres** has served on our board of directors since October 2011. He previously served as our co-chief executive officer from October 2011 through January 2013. Since March 2008, Mr. Torres has served as managing director of Nexus Capital Partners, a private equity firm. From April 2006 to February 2008, Mr. Torres served with the Colombian Ministry of Finance acting as general director of public credit and the treasury. From June 2002 to April 2006, Mr. Torres served as managing director of Diligo Advisory Group, an investment banking firm. From September 1994 to June 2002, Mr. Torres served as vice president with JPMorgan Chase Bank.

We believe Mr. Torres is well-qualified to serve as a member of our board of directors due to his operational experience with Nexus Capital Partners, his work with the Colombian government and his extensive contacts he has fostered while working at Nexus Capital Partners, JPMorgan Chase Bank and in the Colombian government.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and ten percent shareholders are required by regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on a review of such reports received by us and written representations from certain reporting persons that no Form 5s were required for those persons, we believe that, during the fiscal year ended December 31, 2015, all reports required to be filed by our officers, directors and persons who own more than ten percent of a registered class of our equity securities were filed on a timely basis.

### **Code of Ethics**

In March 2012, we adopted a code of ethics that applies to all of our executive officers, directors and employees. The code of ethics codifies the business and ethical principles that govern all aspects of our business. We will provide, without charge, upon request, copies of our code of ethics. Requests for copies of our code of ethics should be sent in writing to Tecnoglass Inc., Avenida Circunvalar a 100 mts de la Via 40, Barrio Las Flores, Barranquilla, Colombia, Attn: Corporate Secretary.

## Corporate Governance

### *Audit Committee*

We have a standing audit committee of the board of directors, which consists of Martha L. Byorum, Samuel R. Azout and Julio Torres, with Martha L. Byorum serving as chairman. Each of the members of the audit committee is independent under the applicable NASDAQ listing standards.

The audit committee has a written charter, a copy of which was filed with our Definitive Proxy Statement on Schedule 14A filed with the SEC on December 4, 2013. The purpose of the audit committee is to appoint, retain, set compensation of, and supervise our independent accountants, review the results and scope of the audit and other accounting related services and review our accounting practices and systems of internal accounting and disclosure controls. The audit committee's duties, which are specified in the audit committee charter, include, but are not limited to:

- reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board whether the audited financial statements should be included in our Form 10-K;
- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- discussing with management major risk assessment and risk management policies;
- monitoring the independence of the independent auditor;
- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- reviewing and approving all related-party transactions;
- inquiring and discussing with management our compliance with applicable laws and regulations;
  
- pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;
- appointing or replacing the independent auditor;
- determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work; and
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding its financial statements or accounting policies

The audit committee has discussed with the independent auditors the matters required by the Public Company Accounting Oversight Board ("PCAOB") auditing standard No. 16 – Communication with Audit Committees, including



independent accountant's independence.

#### *Financial Experts on Audit Committee*

The audit committee will at all times be composed exclusively of "independent directors," as defined for audit committee members under the NASDAQ listing standards and the rules and regulations of the Securities and Exchange Commission, who are "financially literate," as defined under NASDAQ's listing standards. NASDAQ's listing standards define "financially literate" as being able to read and understand fundamental financial statements, including a company's balance sheet, statement of operations and cash flow statement. The board of directors has determined that Martha Byorum satisfies NASDAQ's definition of financial sophistication and also qualifies as an "audit committee financial expert" as defined under rules and regulations of the Securities and Exchange Commission.

#### *Nominating Committee*

We have a standing nominating committee, which consists of A. Lorne Weil, Martha L. Byorum, Samuel R. Azout and Juan Carlos Vilariño, with A. Lorne Weil serving as chairperson. Each member of the nominating committee is an "independent director" as defined under NASDAQ listing standards. Pursuant to its written charter, a copy of which was filed with our Definitive Proxy Statement on Schedule 14A filed with the SEC on December 4, 2013, our nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors.

#### *Guidelines for Selecting Director Nominees*

The nominating committee considers persons identified by its members, management, shareholders, investment bankers and others. Currently, the guidelines for selecting nominees, which are specified in the nominating committee charter, generally provide that persons to be nominated:

· should have demonstrated notable or significant achievements in business, education or public service;  
· should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and

· should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the shareholders.

The nominating committee will consider a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person's candidacy for membership on the board of directors. The nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time and will also consider the overall experience and makeup of its members to obtain a broad and diverse mix of board members. The nominating committee does not distinguish among nominees recommended by shareholders and other persons.

There have been no material changes to the procedures by which shareholders may recommend nominees to the nominating committee.

#### *Compensation Committee*

We have a standing compensation committee consisting of Julio Torres, Samuel R. Azout and Juan Carlos Vilariño, with Julio Torres serving as chairperson. Pursuant to the compensation committee charter, a copy of which was filed with our Definitive Proxy Statement on Schedule 14A filed with the SEC on December 4, 2013, the compensation committee oversees our compensation and employee benefit plans and practices, including our executive, director and other incentive and equity-based compensation plans. The specific responsibilities of the compensation committee include making recommendations to the board regarding executive compensation of our executive officers and non-employee directors, administering our 2013 Long-Term Incentive Equity Plan, and preparing and reviewing compensation-related disclosure, including a compensation discussion and analysis and compensation committee report (if required), for our filings with the Securities and Exchange Commission.

### **Item 11. Executive Compensation.**

#### **Overview**

Our policies with respect to the compensation of our executive officers are administered by our board in consultation with our compensation committee. Our compensation policies are intended to provide for compensation that is sufficient to attract, motivate and retain executives of outstanding ability and potential and to establish an appropriate relationship between executive compensation and the creation of shareholder value. To meet these goals, the compensation committee is charged with recommending executive compensation packages to our board.

Prior to consummation of the Merger in December 2013, none of our executive officers or directors received compensation for services rendered to the Company. No compensation or fees of any kind, including finders, consulting or other similar fees, were paid to any of our initial shareholders, including our officers and directors, or any of their respective affiliates, prior to, or for any services they rendered in order to effectuate, the consummation of the initial business combination.

### Summary Compensation Table

The following table summarizes the total compensation for the years ended December 31, 2015 and 2014 of each of our named executive officers.

Name and principal position	Year	Salary	Bonus	Total
Jose M. Daes (1)	2015	\$720,000	\$132,000	\$852,000
Chief Executive Officer	2014	\$683,000	\$	\$683,000
Christian T. Daes (2)	2015	\$438,000	\$	\$438,000
Chief Operating Officer	2014	\$430,000	\$	\$430,000
Joaquin Fernández (3)	2015			