

# **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

**Conair Corp**  
**a New York Corporation**  
**246 Broadway, Garden City, New York 11040**

516 294-8860

Website: Theconairgroup.com

Email: conaircorp@aol.com

SIC Code: 3585

## **Quarterly Report** **For the Period Ending December 31, 2023** (the "Reporting Period")

As of December 31, 2023, the current reporting period date, the number of shares outstanding of our Common Stock was: 5,903,692.

As of September 30, 2023, the prior reporting period end date, the number of shares outstanding of our Common Stock was: 5,903,692.

As of September 30, 2023, the most recent completed fiscal year end date, the number of shares outstanding of our Common Stock was: 5,903,692.

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

### **1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

Current Name: Conair Corp.; Predecessor Name: none

<sup>1</sup> "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated in New York on January 24, 1964. Status is active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

246 Broadway, Garden City, NY 11040

The address(es) of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

\_\_\_\_\_

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No:  Yes:  If Yes, provide additional details below:

\_\_\_\_\_

## 2) Security Information

### **Transfer Agent**

Name: Continental Stock Transfer & Trust Company  
Phone: 212-509-4000  
Email: cstmail@continentalstock.com  
Address: 1 State street, 30<sup>th</sup> floor, New York, N.Y. 10004

### **Publicly Quoted or Traded Securities:**

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol: CNGA  
Exact title and class of securities outstanding: Common Stock  
CUSIP: 205888100  
Par or stated value: \$.01

Total shares authorized:	<u>10,000,000</u>	<u>as of date: December 31, 2023</u>
Total shares outstanding:	<u>5,903,692</u>	<u>as of date: December 31, 2023</u>
Total number of shareholders of record:	<u>128</u>	<u>as of date: December 31, 2023</u>

*All additional class(es) of publicly quoted or traded securities (if any):*

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	<u>as of date: _____</u>
Total shares outstanding:	_____	<u>as of date: _____</u>
Total number of shareholders of record:	_____	<u>as of date: _____</u>

Trading symbol:	_____	
Exact title and class of securities outstanding:	_____	
CUSIP:	_____	
Par or stated value:	_____	
Total shares authorized:	_____	<u>as of date: _____</u>
Total shares outstanding:	_____	<u>as of date: _____</u>
Total number of shareholders of record:	_____	<u>as of date: _____</u>

**Other classes of authorized or outstanding equity securities:**

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities. Not applicable*

Exact title and class of the security:	_____	
CUSIP (if applicable):	_____	
Par or stated value:	_____	
Total shares authorized:	_____	<u>as of date: _____</u>
Total shares outstanding (if applicable):	_____	<u>as of date: _____</u>
Total number of shareholders of record (if applicable):	_____	<u>as of date: _____</u>

Exact title and class of the security:	_____	
CUSIP (if applicable):	_____	
Par or stated value:	_____	
Total shares authorized:	_____	<u>as of date: _____</u>
Total shares outstanding (if applicable):	_____	<u>as of date: _____</u>
Total number of shareholders of record (if applicable):	_____	<u>as of date: _____</u>

**Security Description:**

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

**1. For common equity, describe any dividend, voting and preemption rights.**

\_\_\_\_\_ Common Stock holders have no preemption rights. Each share of common stock has the right to vote at all special and annual meetings of stockholders. Common stock holders are entitled to dividends when, and if, declared by the board of directors,

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

\_\_\_\_\_ Not Applicable

**3. Describe any other material rights of common or preferred stockholders.**

\_\_\_\_\_ Not Applicable

**4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

\_\_\_\_\_ None

**3) Issuance History**

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

**A. Changes to the Number of Outstanding Shares**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date _____ Common: _____ Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation,	Number of Shares	Class of Securities	Value of shares issued (\$/per	Were the shares issued at a discount	Individual/ Entity Shares were issued to.	Reason for share issuance (e.g. for cash or debt conversion) -	Restricted or Unrestricted	Exemption or

	shares returned to treasury)	Issued (or cancelled)		share) at Issuance	to market price at the time of issuance? (Yes/No)	*You must disclose the control person(s) for any entities listed.	OR- Nature of Services Provided	as of this filing.	Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report:									
Ending Balance: _____									
Date _____ Common: _____									
Preferred: _____									

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

#### B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

#### 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. (Please ensure that these descriptions are updated on the Company's Profile on [www.otcmarkets.com](http://www.otcmarkets.com)).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Conair Corp. and its wholly-owned subsidiaries are in the business of installing and servicing commercial air conditioning, heating, refrigeration and ventilation systems ("HVAC")

B. List any subsidiaries, parent company, or affiliated companies.

Conair Weather Services, Inc. – wholly-owned subsidiary  
Airvel Air Conditioning Corp. – wholly-owned subsidiary  
Safecon Systems, Inc. – wholly-owned subsidiary  
Conair Franchise Development Corp. – wholly-owned subsidiary

C. Describe the issuers' principal products or services.

The Company and its subsidiaries are in the business of sales and service for commercial HVAC systems. The Company was established in 1964 and its business was, and is, commercial HVAC systems. CNGA established Conair Weather Service in 1969 to provide services to its clients. Airvel Air Conditioning was established in 1947 and acquired by us in 1988. This acquisition allowed Conair to expand our business and brought long term clientele to our already growing client base.

Safecon Systems was formed in 1995 in response to the Montreal Protocol on Substances that Deplete the Ozone Layer ("Protocol"). The Protocol regulates the manufacture of chemicals that damage the ozone layer and at the same time encourages member nations to search for other ozone friendly alternatives.

Because refrigerants used in HVAC systems were on the regulated list, Mr., Stransky, the Company's CEO, saw a need to development a product in line with the requirements of the Protocol. Mr. Stransky invented a line of refrigerant conservation devices, received 3 U.S. Patents which expired in 2014, and started Safecon Systems to sell the devices.

In calendar 2023, the Company may expand its revenue base through franchising operations of its name, logo and business.

### Intellectual Property

Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration:

Conair company logo is pending its trademark approval.

### Government Regulation

Conair adheres to the rules and regulations dictated in the USA for handling refrigeration gases.

### Employees

The Company has approximately 35 full-time employees, approximately 20% of which are represented by a union.

## **5) Issuer's Facilities**

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

\_\_ The Company owns a 10,000 square foot commercial office space and leases a portion of the space to a non-industry related entity. The lease expires February 28, 2019. During April 2019, Company entered in a new three year operating lease with a different third party that begins in May 2019 and expires in April 2022 with minimum rentals of \$59,500 per annum. The agreement provides the lessee two one-year extension options.

The aforementioned extensions were exercised.

## 6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Barry Stransky	<u>President, CFO, director and control person</u>	39 Bow Street, Forest Hills, NY 11375	<u>2,874,000</u>	<u>Common Stock</u>	49%	_____
<u>Mark Stransky</u>	<u>Control Person</u>	9500 Sea Turtle Lane, Plantation, FL 33324	2,000,000	<u>Common Stock</u>	<u>34%</u>	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

**7) Legal/Disciplinary History**

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

**8) Third Party Service Providers**

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Securities Counsel

Legal Counsel

Steven Morse, Esq.  
Morse & Morse, PLLC  
2100 Deer Park Ave., Ste. 1A



Deer Park, NY 11729  
Telephone: 516.487.1446  
Website: none  
Email: morgold@aol.com

#### Accountant or Auditor

Preparation of the Company's financial statements is the responsibility of the Company's management. The Company's independent accounting firm, Baker Tilly US, LLP ("Baker Tilly") was responsible for reviewing the years end September 30, 2023 and 2022 consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. They did not audit the consolidated financial statements nor verify the accuracy or completeness of the information provided by management.

Baker Tilly is licensed in the State of New York and registered with the Public Company Accounting Oversight Board ("PCAOB). Fees for professional review-related services rendered by Baker Tilly for review of the Company's annual financial statements for the years ended September 30, 2023 and 2022 totaled approximately \$42,000 and \$42,000, respectively. For the fiscal years ended September 30, 2023 and 2022 there was approximately \$-0- and \$-0-, respectively, in non-review fees billed for tax and limited consulting services by Baker Tilly.

Accountant contact information:  
Baker Tilly US, LLP  
1500 RXR Plaza – West Tower  
Uniondale, NY  
Telephone: (516) 747-2000  
Attn: Michael McVetty  
E-mail: m.mcvetty@bakertilly.com

Investor Relations: None

*All other means of Investor Communication:* None

#### Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period. None

## 9) Financial Statements

A. The following financial statements were prepared in accordance with:

IFRS

U.S. GAAP

B. The following financial statements were prepared by (name of individual)<sup>2</sup>:

Name: Barry Stransky  
Title: Chief Executive Officer and Principal Financial Officer  
Relationship to Issuer: Executive Officer and Employee

Describe the qualifications of the person or persons who prepared the financial statements: **Many years of on the job experience.**

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Important Notes:

- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- All financial statements for a fiscal period must be published together with the disclosure statement in one Annual or Quarterly Report.

## 10) Issuer Certification

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Barry Stransky, certify that:

1. I have reviewed this Disclosure Statement for Conair Corp.
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

---

<sup>2</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

\_\_\_\_\_ July 23, 2024

\_\_\_\_\_ /s/ Barry Stransky, Chief Executive Officer

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

*Principal Financial Officer:*

I, Barry Stransky, certify that:

1. I have reviewed this Disclosure Statement for Conair Corp.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

\_\_\_\_\_ July 23, 2024

\_\_\_\_\_ /s/ Barry Stransky, Chief Financial Officer

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

# **Conair Corp. and Subsidiaries**

Consolidated Financial Statements

December 31, 2023 and September 30, 2023

# Conair Corp. and Subsidiaries

---

Table of Contents

December 31, 2023 and September 30, 2023

	<u>Page</u>
<b>Accountants' Compilation Report</b>	1
<b>Consolidated Financial Statements</b>	
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Stockholders' Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

## Accountants' Compilation Report

To the Stockholders of  
Conair Corp. and Subsidiaries

Management is responsible for the accompanying consolidated financial statements of Conair Corp. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, stockholders' equity and cash flows for the three months ended December 31, 2023 and 2022, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these consolidated financial statements.

The accompanying consolidated balance sheet as of September 30, 2023 was previously reviewed by us and we stated we were not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America in our report dated December 28, 2023, but we have not performed any procedures in connection with the review engagement since that date.

*Baker Tilly US, LLP*

Uniondale, New York  
July 1, 2024

## Conair Corp. and Subsidiaries

Consolidated Balance Sheets

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

	<u>December 31, 2023</u>	<u>September 30, 2023</u>		<u>December 31, 2023</u>	<u>September 30, 2023</u>
<b>Assets</b>			<b>Liabilities and Stockholders' Equity</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash	\$ 370,051	\$ 583,492	Accounts payable and accrued expenses	\$ 1,575,425	\$ 1,502,321
Accounts receivable (net of allowance of \$85,000)	1,166,957	1,012,133	Current portion of note payable	8,875	8,875
Inventory, materials	15,750	15,750	Current portion of finance lease liabilities	9,826	13,050
Costs and estimated earnings in excess of billings on uncompleted contracts	336,231	442,613	Billings in excess of costs and estimated earnings on uncompleted contracts	122,136	28,672
Prepaid expenses and other assets	<u>46,756</u>	<u>37,956</u>	Payroll and other taxes payable	5,732	5,262
Total current assets	1,935,745	2,091,944	Income taxes payable	39,520	37,520
<b>Marketable Securities, Long-Term</b>	2,176,718	1,932,756	Deferred revenue	<u>19,790</u>	<u>18,459</u>
<b>Property, Plant and Equipment, Net</b>	109,342	118,741	Total current liabilities	<u>1,781,304</u>	<u>1,614,159</u>
<b>Deferred Tax Asset, Net</b>	45,000	21,000	<b>Long-Term Liabilities</b>		
			Note payable, net of current portion	7,394	9,614
			Security deposit	<u>4,958</u>	<u>4,958</u>
			Total long-term liabilities	<u>12,352</u>	<u>14,572</u>
			Total liabilities	<u>1,793,656</u>	<u>1,628,731</u>
			<b>Commitments and Contingencies</b>		
			<b>Stockholders' Equity</b>		
			Common stock, \$.01 par value, 10,000,000 shares authorized, 5,903,692 shares issued and outstanding	59,037	59,037
			Additional paid-in capital	832,915	832,915
			Retained earnings	1,576,256	1,642,361
			Accumulated other comprehensive loss: Cumulative unrealized gain on marketable debt securities	<u>4,941</u>	<u>1,397</u>
			Total stockholders' equity	<u>2,473,149</u>	<u>2,535,710</u>
Total assets	<u>\$ 4,266,805</u>	<u>\$ 4,164,441</u>	Total liabilities and stockholders' equity	<u>\$ 4,266,805</u>	<u>\$ 4,164,441</u>

See notes to consolidated financial statements

## Conair Corp. and Subsidiaries

Consolidated Statements of Operations  
Three Months Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Contract and Service Revenue Earned</b>	<u>\$ 1,435,798</u>	<u>\$ 1,201,105</u>
<b>Cost of Contract and Service Revenue Earned</b>		
Materials	479,479	452,796
Subcontractors	315,483	111,402
Direct labor	259,528	277,145
Payroll taxes, union benefits and insurance	103,428	94,579
Truck expenses and repairs	29,784	27,969
Other expenses	<u>5,880</u>	<u>4,299</u>
Total cost of contract and service revenue earned	<u>1,193,582</u>	<u>968,190</u>
Gross profit	242,216	232,915
<b>Selling, General and Administrative Expenses, Including Interest Expense of \$507 and \$401, Respectively</b>	369,451	340,246
<b>Other Income</b>		
Rental income	15,619	15,619
Interest and other	<u>23,511</u>	<u>5,536</u>
Loss before credit for income taxes	(88,105)	(86,176)
<b>Credit for Income Taxes</b>	<u>22,000</u>	<u>22,000</u>
Net loss	(66,105)	(64,176)
<b>Other Comprehensive Income</b>		
Unrealized gain on marketable debt securities	<u>3,544</u>	<u>1,136</u>
Comprehensive loss	<u>\$ (62,561)</u>	<u>\$ (63,040)</u>
<b>Loss Per Share</b>		
Basic	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted Average Number of Shares Outstanding</b>		
Basic	<u>5,903,692</u>	<u>5,903,692</u>

See notes to consolidated financial statements



## Conair Corp. and Subsidiaries

Consolidated Statements of Stockholders' Equity  
Three Months Ended December 31, 2023 and 2022

	Three Months Ended December 31, 2023				
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Cumulative Unrealized Gain on Marketable Debt Securities	Total
<b>Balance, October 1, 2023</b>	\$ 59,037	\$ 832,915	\$ 1,642,361	\$ 1,397	\$ 2,535,710
Comprehensive loss:					
Net loss	-	-	(66,105)	-	(66,105)
Other comprehensive income:					
Unrealized gain on marketable debt securities	-	-	-	3,544	3,544
<b>Balance, December 31, 2023</b>	<u>\$ 59,037</u>	<u>\$ 832,915</u>	<u>\$ 1,576,256</u>	<u>\$ 4,941</u>	<u>\$ 2,473,149</u>
	Three Months Ended December 31, 2022				
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Cumulative Unrealized Loss on Marketable Debt Securities	Total
<b>Balance, October 1, 2022</b>	\$ 59,037	\$ 832,915	\$ 1,568,648	\$ (16,963)	\$ 2,443,637
Comprehensive loss:					
Net loss	-	-	(64,176)	-	(64,176)
Other comprehensive income:					
Unrealized gain on marketable debt securities	-	-	-	1,136	1,136
<b>Balance, December 31, 2022</b>	<u>\$ 59,037</u>	<u>\$ 832,915</u>	<u>\$ 1,504,472</u>	<u>\$ (15,827)</u>	<u>\$ 2,380,597</u>

See notes to consolidated financial statements

## Conair Corp. and Subsidiaries

Consolidated Statements of Cash Flows  
Three Months Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (66,105)	\$ (64,176)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,399	11,721
Deferred income taxes	(24,000)	(24,000)
Accretion of bond discounts	(13,653)	-
(Increase) decrease in operating assets:		
Accounts receivable	(154,824)	353,235
Costs and estimated earnings in excess of billings on uncompleted contracts	106,382	(305,670)
Prepaid income taxes	-	1,068
Prepaid expenses and other assets	(8,800)	(3,085)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	73,104	123,172
Billings in excess of costs and estimated earnings on uncompleted contracts	93,464	(133,303)
Payroll and other taxes payable	470	(16,116)
Income taxes payable	2,000	-
Deferred revenue	1,331	7,830
	<u>18,768</u>	<u>(49,324)</u>
Net cash provided by (used in) operating activities		
<b>Cash Flows From Investing Activities</b>		
Purchase of marketable securities	(876,765)	-
Proceeds from sale of marketable securities	650,000	-
	<u>(226,765)</u>	<u>-</u>
Net cash used in investing activities		
<b>Cash Flows From Financing Activities</b>		
Repayment of note payable	(2,220)	(2,219)
Repayment of finance lease liabilities	(3,224)	(7,297)
	<u>(5,444)</u>	<u>(9,516)</u>
Net cash used in financing activities		
Net decrease in cash	(213,441)	(58,840)
<b>Cash, Beginning</b>	<u>583,492</u>	<u>942,364</u>
<b>Cash, Ending</b>	<u>\$ 370,051</u>	<u>\$ 883,524</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the period for interest	<u>\$ 501</u>	<u>\$ 401</u>
Cash paid during the period for income taxes	<u>\$ -</u>	<u>\$ 932</u>

See notes to consolidated financial statements

# Conair Corp. and Subsidiaries

---

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

## 1. Summary of Significant Accounting Policies

### Nature of Business

Conair Corp. and its wholly owned subsidiaries (the Company) service and install commercial air conditioning systems principally in the New York metropolitan area. Conair Franchise Development Corp. (FDC) was formed as a wholly owned subsidiary of Conair Corp. during 2017 to explore potential franchise development opportunities.

### Principles of Consolidation

The consolidated financial statements include the accounts of Conair Corp. and its wholly owned subsidiaries, Conair Weather Service, Inc. (CWS), Airvel Air-Conditioning Corp. (AAC), Safecon Systems, Inc. and FDC. All significant intercompany balances and transactions have been eliminated.

### Cash

At times, the Company maintains cash balances with a financial institution in amounts that exceed the federal government's deposit insurance. The credit risk is mitigated by maintaining cash with a high quality institution. Consequently, the Company believes it is not exposed to any significant credit risk on cash.

### Accounts Receivable

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 8326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On October 1, 2023, the Company adopted the ASU using the modified-retrospective approach. There was no adjustment to retained earnings upon adoption.

The Company recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the consolidated balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the consolidated balance sheet date. Receivables are written off when the Company determined that such receivables are deemed uncollectible. No bad debt expense was charged to income during the three months ended December 31, 2023 and 2022.

The Company utilizes the aging method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Company's historical loss experience. In determining its loss rates, the Company evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the Company considers current and forecasted direction of the economic and business environment. Such forecasted information includes: GDP growth, unemployment rates and interest rates amongst others.

## Conair Corp. and Subsidiaries

---

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

Accounts receivable includes amounts billed and currently due from customers and amounts for work performed which have not been billed to date but there exists an unconditional right to bill customers. The Company typically invoices its customers with payment terms of net due in 30 days. It is common in the construction industry for a contract to specify specific more lenient payment terms allowing the customer 45 to 60 days to make their payment. In most instances the Company receives payment of its invoices between 30 to 90 days of the date of the invoice.

The Company's sales arrangements generally do not provide for interest on past due accounts.

Accounts receivable at December 31, 2023 include approximately \$56,000 in amounts outstanding over 90 days, net of an allowance for credit losses of \$85,000. Accounts receivable at September 30, 2023 include approximately \$30,000 in amounts outstanding over 90 days, net of an allowance for credit losses of \$85,000.

### Inventory

Inventory is stated at the lower of cost (first-in, first-out) and net realizable value.

### Property, Plant and Equipment

Depreciation is provided over the estimated useful lives of the depreciable assets which range from 5 to 33 years principally by application of the straight-line method.

Maintenance and repairs are charged to expense when incurred. Betterments and major renewals or replacements are capitalized.

### Leases

As a lessee, the Company determines whether an arrangement is or contains a lease at the inception of the arrangement based on the facts and circumstances in each contract. Leases with an initial term of 12 months or less are not recorded on the balance sheet and the Company recognizes lease expense for these leases on a straight-line basis over the lease term. For lease agreements with an initial term in excess of 12 months, the Company records the right-of-use (ROU) asset and lease liability at commencement date based upon the present value of the sum of the remaining minimum rental payments, which exclude executory costs. The present value of future lease payments are discounted using either the implicit rate in the lease, if known, or the Company's incremental borrowing rate for the specific lease as of the lease commencement date. Certain adjustments to the ROU asset may be required for items such as initial direct costs paid or incentives received. The lease terms include options to extend or terminate the lease only to the extent it is reasonably certain any of those options will be exercised. For all classes of underlying assets, the Company accounts for leases that contain separate lease and nonlease components as containing a single lease component. The Company's leases do not contain any material restrictive covenants.

### Income Taxes

The Company accounts for income taxes in accordance with FASB Accounting Standards Codification (ASC) 740, *Income Taxes*, pursuant to which deferred taxes are determined based on the differences between the financial statement and tax basis of assets and liabilities, using enacted tax rates, as well as any net operating loss or tax credit carryforwards expected to reduce taxes payable in future years.

The Company files consolidated federal, state and local income tax returns.

The Company follows the provisions pertaining to uncertain tax positions of FASB ASC 740, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

## Conair Corp. and Subsidiaries

---

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

### Income Per Share

Income per common share is presented in accordance with FASB ASC 260, *Earnings Per Share*. Basic income per common share is computed using the weighted average number of common shares outstanding during the period.

### Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Sales-based taxes are excluded from revenue.

The Company determines it has a contract with a customer when: (i) it has approval and commitment from both parties, (ii) the rights of the parties and payment terms are identified, (iii) the contract has commercial substance and (iv) collectability of consideration is probable. The Company considers the start of a project to be when the above criteria have been met and it has either written authorization from the customer to proceed or an executed contract. See also Note 2.

### Fair Value of Financial Instruments

FASB ASC 825, *Financial Instruments*, requires certain entities to disclose the fair value of certain financial instruments in their financial statements. The Company estimates that the fair value of its cash, accounts receivable, accounts payable and accrued expenses, payroll and other taxes payable, and income taxes payable approximate their carrying amounts due to the short maturity of these instruments. The fair value of the note payable and finance lease liabilities are believed to approximate their carrying amounts based on their effective interest rates. See Note 4 concerning fair value of marketable securities.

### Share-Based Compensation

The Company accounts for stock grants and vesting to nonemployees in accordance with ASC Topic 505-50, *Equity-Based Payments to Non-Employees*, and accordingly, the value of the stock compensation to nonemployees is based upon the measurement date as determined as the earlier of (a) the date at which a commitment for performance is reached with the counterparty, or (b) at the date at which the necessary performance to earn the equity instruments is complete. The Company values the compensation in the form of shares of stock issued to nonemployees based on the fair value of the stock, as the value is more readily measurable than the fair value of the consideration of services received. The expense is recognized on a straight-line basis over the performance period.

### Comprehensive Income

FASB ASC 220, *Comprehensive Income*, established standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income includes net income and other comprehensive income. Comprehensive income is defined as the change in net assets of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Conair Corp. and Subsidiaries

---

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

Significant estimates used in preparing these consolidated financial statements include those assumed in accounting for contracts. It is at least reasonably possible that the estimates used will change within the next year.

### Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through July 1, 2024, the date the consolidated financial statements were available to be issued.

## 2. Revenue From Contracts With Customers

### Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company's construction contracts are generally each accounted for as a single unit of account or single performance obligation.

### Revenue Recognized at a Point in Time

Revenue for contracts that do not satisfy the criteria for over time recognition is recognized at a point in time. Substantially all revenue recognized at a point in time is for call-out repair and service work on existing systems that are performed under time and materials contracts. Revenue from call-out repair and service work is recognized at the completion of the repair or service work.

Revenue from goods and services transferred to customers at a point in time accounted for approximately 19% and 28% of revenue for the three months ended December 31, 2023 and 2022, respectively.

### Revenue Recognized Over Time

Revenue for construction and installation contracts that satisfy the criteria for over time recognition is recognized as the work progresses. The Company's installation revenue is derived from long-term construction contracts and projects that typically span 6 to 24 months.

The Company recognizes revenue over time for all of the Company's construction contracts as it performs them, because control continuously transfers to that customer as work progresses, and the Company has the right to bill the customer as costs are incurred. The customer typically controls the work in process as evidenced either by contractual termination clauses or by the Company's rights to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to the Company.

For fixed price agreements, the Company uses the percentage of completion method of accounting under which contract revenue recognizable at any time during the life of a contract is determined by multiplying expected total contract revenue by the percentage of contract costs incurred at any time to total estimated contract costs. More specifically, as part of the negotiation and bidding process to obtain installation contracts, the Company estimates its contract costs, which include all direct materials, labor and subcontract costs and indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs. Then, as the Company performs under those contracts, the Company measures costs incurred, compares them to total estimated costs to complete the contract and recognizes a corresponding proportion of contract revenue. Labor costs are considered to be incurred as the work is performed. Subcontractor labor is recognized as the work is performed. Materials costs are generally recorded when delivered to the work site as they are used upon delivery. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments. Contract costs are included in the Company's results of operations under the caption "cost of contract and service revenue earned".

## Conair Corp. and Subsidiaries

---

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

Project contracts typically provide for a schedule of billings or invoices to the customer based on the job to date percentage of completion of specific tasks inherent in the fulfillment of performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, contract revenue recognized in the consolidated statement of operations and comprehensive income can and usually does differ from amounts that can be billed or invoiced to the customer at any point during the contract. Amounts by which cumulative contract revenue recognized on a contract as of a given date exceed cumulative billings to the customer under the contract are reflected as a current contract asset in the consolidated balance sheet under the caption "costs and estimated earnings in excess of billings on uncompleted contracts". Amounts by which cumulative billings to the customer under a contract as of a given date exceed cumulative contract revenue recognized on the contract are reflected as a current contract liability in the consolidated balance sheet under the caption "billings in excess of costs and estimated earnings on uncompleted contracts".

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Most of the Company's contract modifications are for goods or services that are not distinct from the existing performance obligation. The effect of a contract modification on the transaction price, and the Company's measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase or decrease) on a cumulative catchup basis. No adjustment on any one contract was material to the consolidated financial statements for the three months ended December 31, 2023 and 2022.

For services that are delivered in the form of maintenance service agreements for existing systems to be repaired and maintained, as opposed to constructed, the Company's performance obligation is to maintain the customer's mechanical system for a specific period of time. Similar to jobs, the Company recognizes revenue from these contracts over time; however, for maintenance service agreements where the full cost to provide services may not be known, the Company generally uses an output method to recognize revenue, which is based on the amount of time the Company has provided its services out of the total time the Company has been contracted to perform those services. Maintenance service agreements are generally billed in advance either monthly, quarterly, semi-annually or annually depending on terms in the contract.

Revenue from goods and services transferred to customers over time accounted for approximately 81% and 72% of revenue for the three months ended December 31, 2023 and 2022, respectively.

### Remaining Performance Obligations

The remaining performance obligations represent the aggregate transaction price of executed contracts with customers for which work has partially been performed or not started as of the end of the reporting period. The Company's remaining performance obligations include projects that have a written award, a letter of intent, a notice to proceed or an agreed upon work order to perform work on mutually accepted terms and conditions. As of December 31, 2023 and September 30, 2023, the aggregate amount of the transaction price allocated to remaining performance obligations was \$6,154,000 and \$7,743,000, respectively. During the following 12 months, approximately 50% of the remaining performance obligations are expected to be recognized as revenue with the remaining balance recognized thereafter. The Company's maintenance service agreements are generally one-year renewable agreements. The Company has adopted the practical expedient that allows the Company to not include maintenance service contracts equal to or less than one year, therefore the Company does not report unfulfilled performance obligations for maintenance service agreements.

## **Conair Corp. and Subsidiaries**

---

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

### **Contract Estimates**

Due to the nature of the work required to be performed on many of the Company's performance obligations, the estimation of total revenue and cost at completion (the process described below in more detail) is complex, subject to many variables and requires significant judgment. The consideration to which the Company is entitled on its long-term contracts may include both fixed and variable amounts. Variable amounts can either increase or decrease the transaction price. A common example of variable amounts that can either increase or decrease contract value are pending change orders that represent contract modifications for which a change in scope has been authorized or acknowledged by the customer, but the final adjustment to contract price is yet to be negotiated. Other examples of positive variable revenue include amounts awarded upon achievement of certain performance metrics, program milestones or cost or completion date targets and can be based upon customer discretion. Variable amounts can result in a deduction from contract revenue if the Company fails to meet stated performance requirements, such as being in compliance with the construction schedule.

Management must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability and cost of materials, the length of time to complete the performance obligation (e.g. to estimate increases in wages and prices for materials and related support cost allocations), execution by the subcontractors, the availability and timing of funding from the customer, and overhead cost rates, among other variables.

Based on this analysis, any adjustments to revenue, cost of services and the related impact to operating income are recognized as necessary in the quarter they become known. These adjustments may result from favorable performance if the Company determines it will be successful in mitigating risks surrounding the technical, schedule and cost aspects of those performance obligations or realizing related opportunities and may result in an increase in operating income during the performance of individual performance obligations. Likewise, if the Company determines it will not be successful in mitigating these risks or realizing related opportunities these adjustments may result in a decrease in operating income. Changes in estimates of revenue, cost of services and the related impact to operating income are recognized quarterly on a cumulative catchup basis, which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a performance obligation's percentage of completion. A significant change in one or more of these estimates could affect the profitability of one or more of the Company's performance obligations. For projects where estimates of total costs to be incurred on a performance obligation exceed total estimates of revenue to be earned, a provision for the entire loss on the performance obligation is recognized in the period the loss is determined.

### **Contract Assets and Liabilities**

Contract assets include unbilled amounts typically resulting from performance under long-term contracts when the percentage of completion method of revenue recognition is used where the revenue recognized exceeds the amount billed to the customer. Costs and estimated earnings in excess of billings on uncompleted contracts consisted of \$336,231 and \$442,613 as of December 31, 2023 and September 30, 2023, respectively.

The Company's contract liabilities consist of advance payments and billings in excess of revenue recognized and are reported as components of deferred revenue in the consolidated balance sheet. The Company classifies billings in excess of revenue recognized as deferred revenue as current or noncurrent based on the timing of when revenue is expected to be recognized.



## Conair Corp. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

Contract liabilities at the end and beginning of the period for the three months ended December 31, 2023 consisted of the following:

	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ 122,136	\$ 28,672
Deferred revenue on maintenance service contracts	<u>19,790</u>	<u>18,459</u>
	<u>\$ 141,926</u>	<u>\$ 47,131</u>

Contract liabilities at the end and beginning of the period for the three months ended December 31, 2022 consisted of the following:

	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ 21,563	\$ 154,866
Deferred revenue on maintenance service contracts	<u>26,309</u>	<u>18,479</u>
	<u>\$ 47,872</u>	<u>\$ 173,345</u>

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing of the Company's performance and customer payments. The amount of revenue recognized during the three months ended December 31, 2023 and 2022 that was included in contract liabilities at the beginning of the period was approximately \$37,000 and \$165,000, respectively.

### Disaggregation of Revenues

Revenue recognized at a point in time and recognized over time for the three months ended December 31, 2023 and 2022 are disaggregated below:

	<u>2023</u>	<u>2022</u>
Installation contracts, over time	\$ 1,019,973	\$ 680,100
Maintenance service contracts, over time	136,111	182,617
Repairs and service calls, point in time	<u>279,714</u>	<u>338,388</u>
	<u>\$ 1,435,798</u>	<u>\$ 1,201,105</u>

## Conair Corp. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

### 3. Income Taxes

The provision (credit) for income taxes for the three months ended December 31, 2023 consists of:

	<u>Federal</u>	<u>State and Local</u>	<u>Total</u>
Current	\$ -	\$ 2,000	\$ 2,000
Deferred	(14,000)	(10,000)	(24,000)
	<u>\$ (14,000)</u>	<u>\$ (8,000)</u>	<u>\$ (22,000)</u>

The provision (credit) for income taxes for the three months ended December 31, 2022 consists of:

	<u>Federal</u>	<u>State and Local</u>	<u>Total</u>
Current	\$ -	\$ 2,000	\$ 2,000
Deferred	(15,000)	(9,000)	(24,000)
	<u>\$ (15,000)</u>	<u>\$ (7,000)</u>	<u>\$ (22,000)</u>

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate (21%) for the three months ended December 31, 2023 and 2022 due to the effects of state and local taxes and other permanent differences.

Gross deferred tax assets and liabilities consist approximately of the following at December 31, 2023 and September 30, 2023:

	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Deferred tax assets:		
Allowance for doubtful accounts	\$ 27,000	\$ 27,000
State and local NOL carryforwards	9,000	-
Federal NOL carryforwards	18,000	-
Other	14,000	17,000
	<u>68,000</u>	<u>44,000</u>
Deferred tax assets	68,000	44,000
Deferred tax liabilities:		
Property, plant and equipment	(23,000)	(23,000)
	<u>(23,000)</u>	<u>(23,000)</u>
Net deferred tax assets	<u>\$ 45,000</u>	<u>\$ 21,000</u>

In assessing the realizability of deferred tax assets management considers whether it is more-likely-than-not that some portion or all of the deferred tax assets and liabilities will be realized. The ultimate realization is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or operating loss carryforwards are available. Management considers the Company's past performance and the scheduled timing of the reversals of deferred tax assets and liabilities in making this assessment.

Federal net operating loss of approximately \$76,000 may be carried forward indefinitely but limited to 80% of taxable income in any tax year. New York State and New York City net operating losses of approximately \$76,000 expire in 2043.

Tax years ended September 30, 2020 through 2024 remain subject to examination for federal, New York State and New York City purposes.

## Conair Corp. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

### 4. Marketable Securities

The Company accounts for its marketable securities in accordance with FASB ASC 320, *Investments—Debt Securities*. The Company's marketable securities have been classified as securities available for sale and are reported at their approximate fair value with changes in fair value recognized in other comprehensive income. Fair value of debt securities, comprised of municipal and federal government bonds, is based on quoted prices in markets that are not active or other inputs that are observable or are corroborated by observable market data (Level 2 of the fair value hierarchy established under FASB ASC 820, *Fair Value Measurement*). Unrealized holding gains and losses are reported as other comprehensive income (loss) and included as a separate component of stockholders' equity.

Marketable securities at December 31, 2023 consist of the following:

	Fair Value	Cost	Gross Unrealized Holding	
			Gains	Losses
Debt securities (Level 2):				
U.S. government bond	\$ 1,476,718	\$ 1,471,777	\$ 4,941	\$ -
Municipal bonds	700,000	700,000	-	-
	<u>\$ 2,176,718</u>	<u>\$ 2,171,777</u>	<u>\$ 4,941</u>	<u>\$ -</u>

Marketable securities at September 30, 2023 consist of the following:

	Fair Value	Cost	Gross Unrealized Holding	
			Gains	Losses
Debt securities (Level 2):				
U.S. government bond	\$ 1,232,756	\$ 1,231,359	\$ 1,397	\$ -
Municipal bonds	700,000	700,000	-	-
	<u>\$ 1,932,756</u>	<u>\$ 1,931,359</u>	<u>\$ 1,397</u>	<u>\$ -</u>

Municipal bond debt securities from the State and City of New York are adjustable rate bonds and represent 100% of the total municipal debt securities as of December 31, 2023 and September 30, 2023. The total cost of the municipal debt securities approximates their fair value as of December 31, 2023 and September 30, 2023 and no unrealized holding gain or loss has been recognized. For the three months ended December 31, 2023 and 2022, net unrealized gains reported in other comprehensive income attributable to U.S. government bonds approximated \$4,000 and \$1,000, respectively.

The Company has classified its debt securities that mature after one year from the balance sheet date as noncurrent. The contractual maturities of the Company's debt securities as of December 31, 2023 and September 30, 2023 are as follows (the contractual maturities are net of unamortized bond discounts of \$28,000 and \$19,000, respectively):

	December 31, 2023	September 30, 2023
Due within one year	\$ 1,500,000	\$ 1,250,000
Due after 10 years but within 15 years	400,000	400,000
Due after 15 years	300,000	300,000
Total	<u>\$ 2,200,000</u>	<u>\$ 1,950,000</u>

## Conair Corp. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

During the three months ended December 31, 2023 and 2022, there were \$650,000 and \$0, respectively, in sales or maturities of marketable securities. Realized gains and losses are determined on the basis of sales price less original cost or amortized cost determined on a first-in, first-out basis. No realized gains or losses were recorded in the three months ended December 31, 2023 and 2022.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Company's financial position and results of operations.

### 5. Property, Plant and Equipment

Property, plant and equipment consists of the following at December 31, 2023 and September 30, 2023:

	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Land	\$ 40,300	\$ 40,300
Building and improvements	287,078	287,078
Vehicles	503,228	678,850
Office equipment and fixtures	268,052	92,430
Finance lease ROU assets	124,731	124,731
	<u>1,223,389</u>	<u>1,223,389</u>
Less accumulated depreciation and amortization	<u>(1,114,047)</u>	<u>(1,104,648)</u>
	<u>\$ 109,342</u>	<u>\$ 118,741</u>

Depreciation and amortization expense attributable to property, plant and equipment for the three months ended December 31, 2023 and 2022 amounted to approximately \$9,000 and \$12,000, respectively (including approximately \$3,000 and \$5,000, respectively, relating to amortization of finance lease ROU assets). Accumulated amortization pertaining to finance lease ROU assets included above amounted to approximately \$115,000 and \$112,000 as of December 31, 2023 and September 30, 2023, respectively.

### 6. Note Payable

In November 2020, the Company entered into a loan agreement for purchase of a vehicle in the amount of \$44,374. The loan agreement provides for 0% interest and annual principal payments of approximately \$8,875 over five years and matures in November 2025. The amount outstanding was \$16,269 and \$18,489 as of December 31, 2023 and September 30, 2023, respectively.

## Conair Corp. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

### 7. Leases

The Company has finance leases for vehicles. The Company does not have any material operating leases with lease terms over 12 months. The components of lease expense for the three months ended December 31, 2023 and 2022 were approximately as follows:

<u>Lease Cost</u>	<u>Classification</u>	<u>2023</u>	<u>2022</u>
Finance lease costs:			
Amortization of ROU assets	Depreciation and amortization expense	\$ 3,000	\$ 5,000
Interest on lease liabilities	Interest expense	1,000	1,000
Short-term lease costs	Selling, general and administrative expense	1,000	1,000

Maturities of finance lease liabilities as of December 31, 2023 and September 30, 2023 were as follows:

	<u>December 31, 2023</u>	<u>September 30, 2023</u>
2024	\$ 9,882	\$ 13,306
Total	9,882	13,306
Less interest	(56)	(256)
Present value of finance lease liabilities	<u>\$ 9,826</u>	<u>\$ 13,050</u>
	<u>December 31, 2023</u>	<u>September 30, 2023</u>
Weighted-average remaining lease term (years)	0.17	0.42
Weighted-average discount rate	6.70 %	6.70 %

Finance lease payments include approximately \$9,000 related to residual value guarantees.

### 8. Rentals Under Operating Lease

The Company is a lessor of commercial space. The Company entered into a three-year operating lease with a third party that began in May 2022 and expires in April 2025 with fixed minimum rentals of \$62,475 per annum. Rent income is recognized on a straight-line basis over the term of the lease. Rent income for the three months ended December 31, 2023 and 2022 was approximately \$16,000.

### 9. 401(k) Plan

The Company has a 401(k) plan covering substantially all employees not covered by union sponsored plans. Contributions to the 401(k) plan are at the discretion of the Board of Directors. Contributions to the 401(k) plan for the three months ended December 31, 2023 and 2022 were approximately \$2,000.

## Conair Corp. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

### 10. Pension and Welfare Benefits

The Company is obligated under a multiemployer union pension plan, Metal Trades Branch Local Union 638 Pension Fund, under the collective bargaining agreement terms that cover its union-represented employees. The risks of participating in multiemployer plans differ from those of single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Company chooses to stop participating in the multiemployer plan, then it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in the plan for the three months ended December 31, 2023 and 2022, is outlined in the table below.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/Implementation	Company Contributions		Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
		2023		2023	2022		
001	13-2541630	Green	None	\$ 24,000	\$ 18,000	No	June 30, 2025

Unless otherwise noted, the most recent Pension Protection Act zone status available in 2023 and 2022 is for the plan's year-end at June 30, 2023 and 2022, respectively. There have been no significant changes that affect the comparability of the contributions. The Company's contributions to the plan for the year ended June 30, 2023 and 2022 represent less than 5% of the total contributions to the plan.

Estimates used in determining funded status and plan contributions are based on numerous assumptions as well as asset values that continually change. The plan's certified zone status under the Pension Protection Act of 2006 was "Green" for the plan year ended June 30, 2023 and 2022, based on the plan actuary's determination that the plan's funded ratio was over 80% at July 1, 2022 and 2021. The plan has not sought or received an amortization extension under Section 304(d) of Employee Retirement Income Security Act of 1974 (ERISA). The Company currently has no intention of withdrawing from the plan. However, should the Company decide to withdraw from the plan, the withdrawal liability could be significant. Accordingly, as circumstances evolve, amounts recorded in the consolidated financial statements relating to this plan could have a material adverse effect on the Company's financial condition and results of operations.

The Company also contributes to a multiemployer welfare plan for the benefit of current employees covered by the collective bargaining agreement. The welfare plan provides various benefits including, but not limited to, healthcare benefits to eligible current employees. There were no changes to the welfare plan that affected comparability of the Company's contributions from the prior year. Contributions to the plan for the three months ended December 31, 2023 and 2022 amounted to approximately \$40,000 and \$33,000, respectively.

## **Conair Corp. and Subsidiaries**

---

Notes to Consolidated Financial Statements

December 31, 2023 (Compiled) and September 30, 2023 (Reviewed)

### **11. Major Customers**

Three customers accounted for approximately 53% of revenue for the three months ended December 31, 2023. Three customers accounted for approximately 51% of revenue for the three months ended December 31, 2022. As of December 31, 2023, four customers represented approximately 68% of the Company's net accounts receivable. As of September 30, 2023, two customers represented approximately 35% of the Company's net accounts receivable.

### **12. Surety Bonds**

The Company has executed general indemnity agreements in favor of a surety in order to obtain surety bonds for its construction contracts.

The two principal stockholders have guaranteed obligations that may arise under the construction surety bonds.

### **13. Litigation**

The Company, from time to time, is subject to routine claims and lawsuits in the ordinary course of business. In the opinion of management the ultimate disposition of these claims will not have a material adverse effect on the Company, however there is no certainty that will be the case.

### **14. Commitments and Contingencies**

During October 2018, FDC entered into a consulting agreement (the Agreement) with a third-party who will provide various franchise services in exchange for 20% of substantially all franchise related revenues earned by FDC and 25% of any proceeds from the sale of substantially all of the stock or assets of FDC (a Sale). The Agreement shall continue until the occurrence of a Sale, termination by mutual agreement, or termination by either party upon material breach of the Agreement by the other party, as defined. There were no franchise related revenues earned during the three months ended December 31, 2023 and 2022.