

# **CONRAD INDUSTRIES, INC.**

## **Quarterly Financial Report**

**March 31, 2025**

# CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

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## FORWARD-LOOKING STATEMENTS

In this report and in the normal course of business, we, in an effort to help keep our stockholders and the public informed about our operations, may from time to time issue or make certain statements, either in writing or orally, that are or contain forward-looking statements. All statements contained herein, other than statements of historical fact, are forward-looking statements. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” “project,” and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including risks and uncertainties related to increases in steel prices (including due to the 25% U.S. tariffs imposed on imports of steel from all countries that took effect March 12, 2025 and are subject to change), other material and labor costs, generally high inflation in the U.S. economy, labor and supply constraints, changes in interest rates, our reliance on cyclical industries, our reliance on principal customers and government contracts, our ability to perform contracts at costs consistent with estimated costs utilized in bidding for the projects, our ability to deliver projects on time, variations in quarterly revenues and earnings resulting from the percentage of completion accounting method, customer financial condition and risk of default, the possible termination of contracts included in our backlog at the option of customers, operating risks, competition for marine vessel contracts, our ability to retain and implement effective succession plans for key management personnel and to continue to attract and retain skilled workers, state and federal regulations, the availability and cost of capital, the wars and violence in Ukraine and Israel and surrounding areas, risk of failure of any bank in which we deposit our funds, potential occurrence of another health crisis such as the COVID-19 pandemic, and general industry and economic conditions. Certain of these risks and assumptions, and other risks and assumptions are discussed in more detail in our Annual Report, included under the heading “*Business Overview-Risk Factors*.” Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We do not intend to update these forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct.

## An Important Note About This Report

Conrad Industries, Inc. is not subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Act”). Accordingly, this report is not filed with the Securities and Exchange Commission, is not available on the SEC’s EDGAR system, and does not purport to meet the requirements for companies that are subject to the Act’s reporting requirements. The Company does intend in this report to provide accurate financial and other information of interest to investors.

Our Annual Report and other periodic reports to shareholders are available on the Company’s website, [www.ConradIndustries.com](http://www.ConradIndustries.com) and at [www.otcmarkets.com](http://www.otcmarkets.com). Interested persons may also request copies directly from the Company; please direct requests and inquiries to: Chief Financial Officer, Conrad Industries Inc., P. O. Box 790, Morgan City, LA, 70381, telephone (985) 702-0195. In particular, you should read this Quarterly Report along with our 2024 Annual Report.

# CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

| <u>ASSETS</u>  | March 31,<br>2025 | December 31,<br>2024 |
|--|-------------------|----------------------|
| CURRENT ASSETS:  |                   |                      |
| Cash and cash equivalents  | \$ 35,893         | \$ 23,136            |
| Contracts receivable, net  | 28,642            | 33,620               |
| Costs and estimated gross profit in excess of billings on contracts in progress  | 33,289            | 32,293               |
| Inventories  | 2,453             | 2,244                |
| Other receivables  | 1,084             | 1,086                |
| Other current assets   | 12,835            | 13,811               |
| Total current assets   | 114,196           | 106,190              |
| PROPERTY, PLANT AND EQUIPMENT, net   | 40,729            | 41,203               |
| OTHER ASSETS   | 998               | 1,070                |
| TOTAL ASSETS   | <u>\$ 155,923</u> | <u>\$ 148,463</u>    |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>  |                   |                      |
| CURRENT LIABILITIES:   |                   |                      |
| Accounts payable   | \$ 15,133         | \$ 12,962            |
| Accrued employee costs   | 3,638             | 4,663                |
| Accrued expenses   | 4,693             | 3,696                |
| Current maturities of long-term debt   | 1,500             | 1,500                |
| Billings in excess of costs and estimated gross profit on contracts in progress  | 42,863            | 40,853               |
| Total current liabilities  | 67,827            | 63,674               |
| LONG-TERM DEBT, less current maturities  | 1,000             | 1,375                |
| DEFERRED INCOME TAXES  | 1,169             | 1,283                |
| OTHER NON-CURRENT LIABILITIES  | 662               | 736                  |
| Total liabilities  | 70,658            | 67,068               |
| SHAREHOLDERS' EQUITY:  |                   |                      |
| Preferred stock, \$0.01 par value, 5,000,000 shares authorized, no shares issued   | -                 | -                    |
| Common stock, \$0.01 par value 20,000,000 shares authorized, 7,314,837 issued as of March 31, 2025 and December 31, 2024 | 73                | 73                   |
| Additional paid-in capital   | 29,104            | 29,104               |
| Treasury stock at cost, 2,296,902 shares as of March 31, 2025 and December 31, 2024                                      | (38,892)          | (38,892)             |
| Retained earnings  | 94,980            | 91,110               |
| Total shareholders' equity   | 85,265            | 81,395               |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY   | <u>\$ 155,923</u> | <u>\$ 148,463</u>    |

See notes to unaudited consolidated financial statements.

**CONRAD INDUSTRIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share data)****(Unaudited)**

|   | <b>Three months ended</b> |                 |
|---|---------------------------|-----------------|
|   | <b>March 31,</b>          |                 |
|   | <b>2025</b>               | <b>2024</b>     |
| REVENUE   | \$ 80,483                 | \$ 66,279       |
| COST OF REVENUE                                 | 73,457                    | 62,801          |
| GROSS PROFIT                                    | 7,026                     | 3,478           |
| SELLING, GENERAL AND ADMINISTRATIVE<br>EXPENSES | 2,160                     | 1,452           |
| INCOME FROM OPERATIONS                          | 4,866                     | 2,026           |
| INTEREST EXPENSE                                | (44)                      | (59)            |
| OTHER INCOME/(EXPENSE), NET                     | 350                       | 85              |
| INCOME BEFORE INCOME TAXES                      | 5,172                     | 2,052           |
| PROVISION FOR INCOME TAXES                      | 1,302                     | 539             |
| NET INCOME                                      | <u>\$ 3,870</u>           | <u>\$ 1,513</u> |
| Income Per Share                                |                           |                 |
| Basic and Diluted                               | <u>\$ 0.77</u>            | <u>\$ 0.30</u>  |
| Weighted Average Common Shares Outstanding      |                           |                 |
| Basic and Diluted                               | <u>5,018</u>              | <u>5,018</u>    |

See notes to unaudited consolidated financial statements.

**CONRAD INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands)  
(Unaudited)

|                            | <b>Common Stock<br/>\$0.01 Par Value</b> |               | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Treasury Stock<br/>at Cost</b> |               | <b>Retained<br/>Earnings</b> | <b>Total</b> |
|----------------------------|--|---------------|---|-----------------------------------|---------------|------------------------------|--------------|
|                            | <b>Shares</b>                            | <b>Amount</b> |   | <b>Shares</b>                     | <b>Amount</b> |                              |              |
| BALANCE—December 31, 2022  | 7,315                                    | 73            | 29,104                                    | 2,297                             | (38,892)      | 106,912                      | 97,197       |
| Purchase of treasury stock | -  | -             | -   | -                                 | -             | -                            | -            |
| Stock issued               | -  | -             | -   | -                                 | -             | -                            | -            |
| Dividends on common stock  | -  | -             | -   | -                                 | -             | -                            | -            |
| Net loss                   | -  | -             | -   | -                                 | -             | (27,028)                     | (27,028)     |
| BALANCE—December 31, 2023  | 7,315                                    | \$ 73         | \$ 29,104                                 | 2,297                             | \$ (38,892)   | \$ 79,884                    | \$ 70,169    |
| Purchase of treasury stock | -  | -             | -   | -                                 | -             | -                            | -            |
| Stock issued               | -  | -             | -   | -                                 | -             | -                            | -            |
| Dividends on common stock  | -  | -             | -   | -                                 | -             | -                            | -            |
| Net income                 | -  | -             | -   | -                                 | -             | 11,226                       | 11,226       |
| BALANCE—December 31, 2024  | 7,315                                    | \$ 73         | \$ 29,104                                 | 2,297                             | \$ (38,892)   | \$ 91,110                    | \$ 81,395    |
| Purchase of treasury stock | -  | -             | -   | -                                 | -             | -                            | -            |
| Stock issued               | -  | -             | -   | -                                 | -             | -                            | -            |
| Dividends on common stock  | -  | -             | -   | -                                 | -             | -                            | -            |
| Net income                 | -  | -             | -   | -                                 | -             | 3,870                        | 3,870        |
| BALANCE—March 31, 2025     | 7,315                                    | \$ 73         | \$ 29,104                                 | 2,297                             | \$ (38,892)   | \$ 94,980                    | \$ 85,265    |

See notes to unaudited consolidated financial statements.

# CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

|   | Three months ended<br>March 31, |                  |
|---|---------------------------------|------------------|
|   | <u>2025</u>                     | <u>2024</u>      |
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                                 |                  |
| Net income  | \$ 3,870                        | \$ 1,513         |
| Adjustments to reconcile net income to cash provided by/<br>(used in) operating activities:   |                                 |                  |
| Depreciation and amortization   | 927                             | 1,117            |
| Deferred provision for income tax   | 105                             | 30               |
| Changes in assets and liabilities:  |                                 |                  |
| Contracts receivable  | 4,978                           | 9,802            |
| Net change in billings related to cost and estimated<br>gross profit on contracts in progress | 1,014                           | (27,034)         |
| Inventory and other assets  | 621                             | 391              |
| Accounts payable, accrued expenses and other liabilities                                      | 2,070                           | (1,130)          |
| Net cash provided by/(used in) operating activities   | <u>13,585</u>                   | <u>(15,311)</u>  |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                                 |                  |
| Capital expenditures for plant and equipment  | <u>(453)</u>                    | <u>(500)</u>     |
| Net cash used in investing activities   | <u>(453)</u>                    | <u>(500)</u>     |
| CASH FLOWS FROM FINANCING ACTIVITIES:   |                                 |                  |
| Principal repayments of debt  | <u>(375)</u>                    | <u>(500)</u>     |
| Net cash used in financing activities   | <u>(375)</u>                    | <u>(500)</u>     |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS  | 12,757                          | (16,311)         |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD  | <u>23,136</u>                   | <u>38,593</u>    |
| CASH AND CASH EQUIVALENTS, END OF PERIOD  | <u>\$ 35,893</u>                | <u>\$ 22,282</u> |
| SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION:   |                                 |                  |
| Interest paid, net of capitalized interest  | <u>\$ 44</u>                    | <u>\$ 59</u>     |
| Taxes paid  | <u>\$ 700</u>                   | <u>\$ -</u>      |

See notes to unaudited consolidated financial statements.

# CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Basis of Presentation**—The consolidated financial statements include the accounts of Conrad Industries, Inc. and its wholly-owned subsidiaries (the “Company”) which are primarily engaged in the construction, conversion and repair of a variety of marine vessels for commercial and government customers. New construction work and some repair work are performed on a fixed-price basis. We perform a significant amount of our repair work under time and materials agreements. All significant intercompany transactions have been eliminated.

**Use of Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Changes in Accounting Principles**—At the beginning of 2023, the Company adopted FASB ASU 2016-13, *Financial Instruments – Credits Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company’s financial statements, but did change how the allowance for credit losses is determined.

**Revenue and Cost Recognition**—We are engaged in various types of construction under long-term construction contracts. In the process of performing construction contracts with our customers, the Company considers each contract to be one performance obligation, unless the circumstances dictate otherwise. Revenue is recognized as the work is performed over time and it is arrived at by determining the amount of labor hours incurred to date as it relates to total estimated labor hours after giving effect to the most recent estimates of labor hours to complete. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from time and materials agreements are recognized on the basis of cost incurred during the period plus the fee earned.

Contract costs include all direct material, labor, and subcontracting costs, and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, depreciation, and insurance costs. Revisions in estimates of cost and earnings during the course of the work are reflected in the accounting period in which the facts which require the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company provides warranties for the work we perform for periods ranging from six-months to twelve-months. We generally do not warrant machinery and equipment furnished by other manufacturers that become part of the vessels we build, convert, or repair. The machinery and equipment manufacturers’ warranties are passed on to our customers. The warranty exposure for our workmanship, which is subject to our internal quality control programs as well as inspection by governmental agencies and customer representatives, is normally less than one percent of cost of revenue. This potential warranty exposure is recorded as a cost of the job.

Indirect costs are allocated to contracts and to certain inventory and capital projects on the basis of direct labor charges.

**Cash and Cash Equivalents**—Cash and cash equivalents include cash on hand, and on deposit. Short-term investments with original maturities of less than three months are also considered cash and cash equivalents because they can be easily liquidated without penalties.

**Contract Receivables**—Contracts receivables are carried at the outstanding amount due less an allowance for credit losses, if an allowance is deemed necessary. Allowances for credit losses are established when there is a basis to doubt the full collectability of the contracts receivable. On a periodic basis, the company evaluates its contracts receivable and determines the requirement for an allowance, based on its history of past write-offs, collections and current conditions. When a contract receivable is ultimately determined to be uncollectible and due diligence for collections has taken place, the contract receivable is written off.

**Property, Plant and Equipment**—Property, plant and equipment is stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the individual assets which range from three to forty years. Ordinary maintenance and repairs which do not extend the physical or economic lives of the plant or equipment are charged to expense as incurred.

**Interest Capitalization**—Interest costs for the construction of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives. No interest costs were capitalized at March 31, 2025 and December 31, 2024.

**Impairment of Long-Lived Assets**—Long-lived assets held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess the recoverability of long-lived assets by determining whether the carrying values can be recovered through undiscounted net cash flows expected to result from such operations and assets over their remaining lives. If impairment is indicated, the asset is written down to its fair value, or if fair value is not readily determinable, to its estimated discounted net cash flows. There was no impairment at March 31, 2025.

**Inventories**—At March 31, 2025 and December 31, 2024, inventories consisted of steel plate and structurals, and excess job related materials and supplies. Inventories are stated at the lower of cost or market (first-in, first-out basis).

**Basic and Diluted Income Per Share**—Basic net income per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per share uses the weighted average number of common shares outstanding adjusted for the incremental shares attributable to dilutive outstanding options to purchase common stock. The Company did not have any dilutive outstanding options for the first quarter of 2025 nor in 2024.

**Fair Value of Financial Instruments**—The carrying amounts of our financial instruments including cash and cash equivalents, receivables and payables approximate fair value at March 31, 2025 and December 31, 2024.

**Income Taxes**—Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid. Based on our evaluation of the recognition and measurement related to accounting for income taxes, we have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements.

**Subsequent Events**—We have evaluated events subsequent to the balance sheet date through May 12, 2025, the date the financial statements were available to be issued and determined that any events or transactions occurring during that period that would require recognition or disclosure are addressed in these financial statements.

**Combined Contract**—The Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

**Uninstalled Materials**—When the Company determines there are uninstalled materials on a contract, the Company recognizes revenue for the transfer of the goods but only in the amount equal to the percentage of labor hours incurred to date as it relates to total estimates.



***Multiple Performance Obligations***—Some of the Company’s contracts may have multiple performance obligations, most commonly due to the contract covering multiple phases of a project. For contracts with multiple performance obligations, the Company allocates the contract’s transaction price to each performance obligation using the Company’s best estimate of the standalone selling price of each distinct good in the contract.

***Transaction Price***—The nature of the Company’s contracts gives rise to several types of variable consideration, including claims, awards and incentive fees. The Company includes in the contract estimates of additional revenue for submitted contract modifications or claims against the customer when the Company believes it has an enforceable right to the modification or claim, the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. The Company includes award or incentive fees in the estimated transaction price when there is a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and the Company’s best judgment at the time. Because of certainty in estimating these amounts, they are included in the transaction price of the contracts and the associated remaining performance obligations.

***Contract Modifications***—Contract modifications are routine in the performance of the Company’s contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods that are not distinct, and, therefore, are accounted for as part of the existing contract.

***Advertising***—Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. For the quarters ended March 31, 2025 and March 31, 2024, advertising expense was \$24,000 and \$30,000, respectively.

## 2. CONTRACTS RECEIVABLES

Receivables consisted of the following at March 31, 2025 and December 31, 2024 (in thousands):

|                                   | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|-----------------------------------|---------------------------|------------------------------|
| Completed Contracts and Repairs   | \$ 6,596                  | \$ 4,943                     |
| Contracts in Progress             | 22,146                    | 28,777                       |
|                                   | 28,742                    | 33,720                       |
| Less: Allowance for Credit Losses | (100)                     | (100)                        |
|                                   | <u>\$ 28,642</u>          | <u>\$ 33,620</u>             |

Included above in amounts billed is an allowance for credit losses of \$100,000 at March 31, 2025 and December 31, 2024. Unbilled costs and estimated earnings on uncompleted contracts were not billable to customers at the balance sheet dates under terms of the respective contracts. Of the unbilled costs and estimated earnings at March 31, 2025, the majority is expected to be collected within the next twelve months.

The Company had the following activity for its allowance for credit losses for contracts receivable at March 31, 2025 and December 31, 2024.

|                                    | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|------------------------------------|---------------------------|------------------------------|
| Beginning balance                  | \$ 100                    | \$ 216                       |
| Benefit for expected credit losses | -                         | (116)                        |
| Ending balance                     | <u>\$ 100</u>             | <u>\$ 100</u>                |

In February 2023, we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. We have acknowledged that the amended final judgment in the amount of \$8.04 million, including interest and costs, was received and satisfied in full. Receipt of the judgment amount is reflected in our 2024 financial statements and was recorded in the quarter ended September 30, 2024.

Related billings in excess of costs and estimated gross profit on construction contracts in progress as of March 31, 2025 and December 31, 2024 are as follows (in thousands):

|   | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---|---------------------------|------------------------------|
| Costs incurred to date on contracts in progress | \$ 316,570                | \$ 293,337                   |
| Estimated gross loss to date                    | (7,201)                   | (12,352)                     |
| Contracts revenue earned to date                | 309,369                   | 280,985                      |
| Less billings to date                           | (318,943)                 | (289,545)                    |
| Net excess of billings over revenue earned      | <u>\$ (9,574)</u>         | <u>\$ (8,560)</u>            |

The billings over revenue earned are included in the accompanying balance sheets under the following captions (in thousands):

|   | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|---|---------------------------|------------------------------|
| Costs and estimated gross profit in excess of billings on contracts in progress | \$ 33,289                 | \$ 32,293                    |
| Billings in excess of cost and estimated gross profit on contracts in progress  | <u>(42,863)</u>           | <u>(40,853)</u>              |
| Net excess of billings over revenue earned                                      | <u><u>\$ (9,574)</u></u>  | <u><u>\$ (8,560)</u></u>     |

The revenue in excess of billings primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date. The revenue in excess of billings balances are transferred to receivables when the rights become unconditional. The billings in excess of revenue primarily relate to the advance consideration received from customers, for which revenue has not yet been recognized.

Significant changes in revenue in excess of billings and billings in excess of revenue balances during the period are as follows:

|   | <b>Revenue in<br/>Excess of Billings</b> | <b>Billings in<br/>Excess of Revenue</b> |
|---|--|--|
| Balance, December 31, 2024  | \$ 32,293                                | \$ 40,853                                |
| Revenue recognized that was included in contract liability balance at the beginning of the period | -  | (5,050)                                  |
| Increases due to cash received, excluding amounts recognized as revenue during the period         | -  | 7,060                                    |
| Increases due to revenue recognized prior to billings   | 10,604                                   | -  |
| Transferred to receivables from revenue in excess recognized at the beginning of the period       | <u>(9,608)</u>                           | <u>-</u>                                 |
| Balance, March 31, 2025   | <u><u>\$ 33,289</u></u>                  | <u><u>\$ 42,863</u></u>                  |

Pursuant to SOP 81-1, Paragraph 85-89 (ASC 605-35), when the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract should be made in the period it became evident. The provision for the loss should be recorded as an additional contract cost in the income statement. The offsetting liability can be recorded on the balance sheet where related contract costs are accumulated on the balance sheet, in which case the provision may be deducted from the related accumulated costs. The Company recorded total charges of \$1.6 million for the first quarter of 2025, \$3.3 million for the first quarter of 2024, and charges of \$14.7 million for the year ended December 31, 2024 and \$33.5 million for the year ended December 31, 2023 in cost of revenues to reflect revised estimates related to anticipated losses on certain uncompleted vessels in progress. The offsetting credit was recorded in costs and estimated earnings, net in excess of billings on uncompleted contracts. As of March 31, 2025 and December 31, 2024, approximately \$25.2 million and \$24.9 million respectively, of these provisions are included in costs and estimated earnings, net in excess of billings on uncompleted contracts.

### 3. CONTRACT BACKLOG

The following schedule is a reconciliation of contract backlog (remaining performance obligations) representing approved contracts as of March 31, 2025 (in thousands):

|  |    |                 |
|--|----|-----------------|
| Balance, January 1, 2025                       | \$ | 293,805         |
| Contract adjustments and new contracts awarded |    | <u>71,390</u>   |
| Subtotal                                       |    | 365,195         |
| Less contract revenue earned                   |    | <u>(73,225)</u> |
| Balance, March 31, 2025                        | \$ | <u>291,970</u>  |

The Company will recognize this revenue as the contracts are completed, which is expected to occur over the next twelve to twenty-four months.

Contract backlog does not include amounts considered variable consideration that are constrained based on the Company's assessment of probability of significant reversal.

### 4. OTHER RECEIVABLES

Other receivables consisted of the following at March 31, 2025 and December 31, 2024 (in thousands):

|                   | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|-------------------|---------------------------|------------------------------|
| Income tax refund | \$ 1,084                  | \$ 1,086                     |
| Total             | <u>\$ 1,084</u>           | <u>\$ 1,086</u>              |

Substantially all of these amounts at March 31, 2025 are expected to be collected within the next twelve months.

Included on the balance sheet at December 31, 2023, in other receivables, was an income tax refund for research and development tax credits for 2014 and 2015 totaling \$3.1 million. On December 31, 2024, the receivable was written down to \$1.1 million based on the doubt of full collectability.

On July 5, 2024, the Company entered into a promissory note and security agreement with a customer, with an original amount of \$2,211,000 payable in two monthly payments of \$50,000 plus accrued interest and a third final payment of \$2,111,000 plus accrued interest due on December 31, 2024. On December 31, 2024, the receivable was deemed uncollectible and written off for \$2,111,000 plus accrued interest of \$35,190. As of December 31, 2024, the notes receivable balance was \$0. Subsequent to March 31, 2025, a recovery in the amount of \$1,478,000 was received and will be reflected in the quarter ended June 30, 2025.

## 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at March 31, 2025 and December 31, 2024 (in thousands):

|                               | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|-------------------------------|---------------------------|------------------------------|
| Land                          | \$ 12,832                 | \$ 12,832                    |
| Buildings and improvements    | 72,395                    | 72,278                       |
| Machinery and equipment       | 35,845                    | 36,276                       |
| Drydocks and bulkheads        | 16,670                    | 16,670                       |
| Barges and boats              | 1,022                     | 1,022                        |
| Office and automotive         | 2,018                     | 2,001                        |
| Construction in progress      | 1,963                     | 1,665                        |
|                               | 142,745                   | 142,744                      |
| Less accumulated depreciation | (102,016)                 | (101,541)                    |
|                               | <u>\$ 40,729</u>          | <u>\$ 41,203</u>             |

Depreciation is provided on property, plant and equipment based on the following estimates of useful lives:

|                            | <b>Useful Lives</b> |
|----------------------------|---------------------|
| Land                       | N/A                 |
| Buildings and improvements | 3-40 years          |
| Machinery and equipment    | 5-12 years          |
| Drydocks and bulkheads     | 3-30 years          |
| Barges and boats           | 10-15 years         |
| Office and automotive      | 3-12 years          |
| Construction in progress   | N/A                 |

Building and improvements include buildings (40-year useful life), fencing, roadways, parking lots, concrete work areas, material storage racks and shelving, launch systems, and storage lockers (5-year useful life). Drydocks and bulkheads include drydocks (30-year useful life), bulkheads, pontoons, and blocking systems (5-year useful life).

## 6. LEASES

The Company leases office space and equipment under operating leases with various expiration dates. A number of the leases include one or more options to renew the lease terms or terminate the lease. The exercise of these options is at the Company's discretion and is therefore recognized on the balance sheet when it is reasonable certain the Company will exercise such options. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date. The lease asset is reflected within other noncurrent assets, and the current and noncurrent portions of the lease liability are reflected within accrued expenses and other noncurrent liabilities, respectively, on our Balance Sheet.

Future minimum payments under leases having initial terms of more than twelve months are as follows (in thousands):

|                                    | <b>Minimum<br/>Payments</b> |
|------------------------------------|-----------------------------|
| 2025 (remaining)                   | \$ 297                      |
| 2026                               | 394                         |
| 2027                               | 310                         |
| 2028                               | 109                         |
| 2029                               | 4                           |
| Total lease payments               | \$ 1,114                    |
| Less: imputed interest             | (126)                       |
| Present value of lease liabilities | <u>\$ 988</u>               |

The following table summarizes the line items in the balance sheet which include amounts for operating leases as of March 31, 2025 and December 31, 2024 (in thousands):

|  | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|--|---------------------------|------------------------------|
| Operating lease right-of-use assets                | <u>\$ 988</u>             | <u>\$ 1,055</u>              |
| Current portion of operating lease liabilities     | 326                       | 319                          |
| Non-current portion of operating lease liabilities | 662                       | 736                          |
| Total operating lease liabilities                  | <u>\$ 988</u>             | <u>\$ 1,055</u>              |

The operating lease right-of-use assets are reflected within other noncurrent assets, and the current and noncurrent portions of the operating lease liabilities are reflected within accrued expenses and other noncurrent liabilities, respectively, on our balance sheet. Total components of operating lease expenses for leases that are included as lease expense in the statement of operations and cash paid for interest and lease expenses for the quarter ended March 31, 2025 was \$103,000 and for the quarter ended March 31, 2024 was \$69,000. Weighted average lease term and discount rate as of March 31, 2025 were 2.9 years and 8.5%, respectively.

## 7. INSURANCE FINANCING

Included on the balance sheet in accrued expenses was insurance financing with IPFS Corporation effective June 1, 2024, with an original amount of \$1.5 million, payable in ten monthly payments of \$157,000. As of March 31, 2025, there was no payable balance; as of December 31, 2024, the payable balance was \$449,000.

## 8. LONG-TERM DEBT

Long-term debt consists of the following at March 31, 2025 and December 31, 2024 (in thousands):

|  | <b>March 31,<br/>2025</b> | <b>December 31,<br/>2024</b> |
|--|---------------------------|------------------------------|
| Term loan - Bank, 3.5% due November 21, 2026 | \$ 2,500                  | \$ 2,875                     |
| Less current maturities                      | (1,500)                   | (1,500)                      |
|  | <u>\$ 1,000</u>           | <u>\$ 1,375</u>              |

Annual maturities of long-term debt for each of the next two years are as follows (in thousands):

|      | <b>Amount</b>   |
|------|-----------------|
| 2025 | \$ 1,125        |
| 2026 | 1,375           |
|      | <u>\$ 2,500</u> |

The Company and its subsidiaries entered into a loan agreement on November 21, 2016, providing for a \$15 million term loan and a \$10 million revolving credit facility. Pursuant to an amendment effective as of January 31, 2025, the maturity of the revolving credit facility was extended to April 30, 2025, then pursuant to an amendment effective February 28, 2025, the maturity of the revolving credit facility was extended to May 31, 2026. Borrowings on the revolving credit facility may not exceed the lesser of \$10 million or 80% of eligible accounts. The interest rate on the line of credit is one-month Term SOFR, plus 2.5% subject to a 3.5% floor, with an initial rate of 6.875%. The line of credit, as amended, has a sublimit of up to \$10 million for letters of credit. At March 31, 2025, no amounts were drawn on the credit facility and one \$5 million letter of credit was committed against the facility, leaving \$5 million available to draw on the facility. The letter of credit expires on July 31, 2025. The term loan has a 120-month amortization, a 3.5% fixed interest rate, and can be prepaid without penalty at any time. The loans are secured by accounts receivable, deposit accounts and chattel paper, and by two dry-docks. The loan agreement contains restrictions on mergers and liens on the collateral and the capital stock of our subsidiaries. Subject to compliance with financial covenants, the loan agreement does not restrict our ability to pay dividends, repurchase shares of common stock, or incur additional indebtedness. Effective as of June 30, 2025, the Company must comply with the following financial covenants at the end of each fiscal quarter: (i) total liabilities to tangible net worth of no greater than 1.25 to 1.00, (ii) debt service coverage ratio of not less than 1.25 to 1.00, and (iii) current assets to current liabilities of not less than 1.0 to 1.0. For additional information, see *2024 Annual Report – Note 8 of Financial Statements*.

## 9. SHAREHOLDERS' EQUITY

### *Dividends*

The declaration of future dividends is at the discretion of the Board each quarter, and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board.

### *Treasury Stock*

In August 2010, the Company's Board of Directors authorized management to repurchase up to \$5.0 million of its outstanding common stock. The stock repurchase plan did not obligate management to acquire any particular amount of common stock, did not have an expiration date and could be amended or terminated at any time without prior notice. The Board increased the amount authorized under the plan, up to \$20 million in 2014. In the first quarter of 2025, no shares were purchased under the stock repurchase program. Since 2010, the Company has repurchased 1,447,347 shares of common stock. As of March 31, 2025, \$1.0 million remained

available under the stock repurchase program. Subsequent to March 31, 2025, the Company's Board of Directors re-authorized the \$1.0 million remaining available under the program and authorized an additional \$1.0 million for repurchases under the program.

### *Income per Share*

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. The number of weighted average shares outstanding for "basic" income per share was 5,017,935 for the first quarters of 2025 and 2024. For the first quarters of 2025 and 2024 there were no stock options outstanding.

### *Stockholders' Rights Plan*

During May 2002, we adopted a rights plan, which was amended in May 2012 and May 2022. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders.

Under the plan, we declared and paid a dividend on June 18, 2002 of one right for each share of common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for \$70 per one one-thousandth, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership of 15 percent or more of our outstanding common stock while the plan remains in place, then, unless we redeem the rights for \$0.001 per right, the rights will become exercisable by all rights holders except the acquiring person or group for shares of common stock or of the acquiring person having a market value of twice the purchase price of the rights.

As amended, the rights will expire on May 23, 2032, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

## **10. EMPLOYEE BENEFITS**

We have a 401(k) plan that covers all employees who meet certain eligibility requirements. Contributions to the plan by us are made at the discretion of the Board of Directors. Contribution expense was \$227,000 and \$215,000 for the first quarters of 2025 and 2024, respectively.

## **11. INCOME TAXES**

We have provided for Federal and State income taxes as follows (in thousands):

|                    | <b>Three months ended</b> |             |
|--------------------|---------------------------|-------------|
|                    | <b>March 31,</b>          |             |
|                    | <b>2025</b>               | <b>2024</b> |
| Current provision  | \$ 1,197                  | \$ 509      |
| Deferred provision | 105                       | 30          |
| Total              | <u>\$ 1,302</u>           | <u>539</u>  |



Our provision for income taxes for years 2011 through 2015 included income tax benefits as a result of research and development tax credits which totaled \$5.9 million in 2015. The total 2015 research and development tax credit is comprised of an estimate for 2015 of approximately \$3.5 million and a credit for 2012 and 2013 for approximately \$2.4 million. In 2014, we recorded a research and development tax credit of \$2.1 million related to 2014 and 2011. We finalized a settlement with the IRS on tax years 2011, 2012 and 2013 on research and development tax credits. We received our refund in the third quarter of 2019 from the IRS of \$2.1 million in taxes and interest of \$176,000. The Company filed amended Louisiana tax returns for a refund to reflect the additional taxes paid due to the audit in the last quarter of 2019. The IRS audit of research and development tax credits for 2014 and 2015 totaling \$3.1 million remains open. On December 31, 2024, the receivable was written down to \$1.1 million based on the doubt of full collectability.

State income taxes included above are not significant for the periods presented.

The provision for income taxes varied from the Federal statutory income tax rate due to the following (in thousands):

|  | Three months ended March 31, |             |               |             |
|--|------------------------------|-------------|---------------|-------------|
|  | 2025                         |             | 2024          |             |
|  | Amount                       | %           | Amount        | %           |
| Taxes at federal statutory rate                                | \$ 1,086                     | 21.0        | \$ 431        | 21.0        |
| Non-deductible other expenses, net<br>of non-reportable income | 17                           | 0.3         | 20            | 0.9         |
| State income taxes   | 199                          | 3.9         | 88            | 4.3         |
| Total  | <u>\$ 1,302</u>              | <u>25.2</u> | <u>\$ 539</u> | <u>26.2</u> |

Deferred income taxes represent the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effects of significant items comprising our net deferred tax balances at March 31, 2025 and March 31, 2024 are as follows (in thousands):

|  | Three months ended March 31, |                    |
|--|------------------------------|--------------------|
|  | 2025                         | 2024               |
| Deferred tax liabilities:  |                              |                    |
| Differences between book and tax basis<br>of property, plant and equipment | \$ 1,169                     | \$ 1,441           |
|  | <u>1,169</u>                 | <u>1,441</u>       |
| Deferred tax assets (included in other current assets):                    |                              |                    |
| Contracts in progress  | 11,837                       | 12,103             |
| Accrued expenses and net operating losses not currently deductible         | (23,736)                     | (28,627)           |
|  | <u>(11,899)</u>              | <u>(16,524)</u>    |
| Net deferred tax assets  | <u>\$ (10,730)</u>           | <u>\$ (15,083)</u> |

## 12. SALES TO MAJOR CUSTOMERS

Sales to various customers that amounted to 10 percent or more of our total revenues for the three months ended March 31, 2025 and March 31, 2024 are summarized as follows (in thousands):

|            | Three months ended March 31, |     |        |     |
|------------|------------------------------|-----|--------|-----|
|            | 2025                         |     | 2024   |     |
|            | Amount                       | %   | Amount | %   |
| Customer A | 10,513                       | 13% | 11,541 | 17% |
| Customer B | 10,393                       | 13% | 13,818 | 21% |
| Customer C | 9,269                        | 12% | -      | 0%  |
| Customer D | 8,201                        | 10% | 4,409  | 7%  |
| Customer E | 7,987                        | 10% | 356    | 1%  |
| Customer F | -                            | 0%  | 13,563 | 20% |

## 13. RELATED PARTY TRANSACTIONS

We purchase in the ordinary course of business certain components from Johnny's Propeller Shop, Inc., a company wholly owned indirectly by John P. Conrad, Jr., Executive Chairman of the Board of Directors and members of his immediate family. Total purchases for the first quarters of 2025 and 2024 were \$597,000 and \$1.1 million, respectively. In addition, John P. Conrad Jr.'s son, not involved in the Company, has an ownership interest in a business from which we purchased electrical components totaling \$429,000 and \$80,000 for the first quarters of 2025 and 2024, respectively. All related party transactions were approved by the Independent Directors Committee.

## 14. SEGMENT AND RELATED INFORMATION

Our President and Chief Executive Officer makes operating decisions and measures performance of our business primarily by viewing our two separate lines of business or products and services, which we consider to be building of new vessels and the repair and conversion of existing vessels.

Accordingly, we classify our business into two segments: (1) vessel construction and (2) repair and conversions. Our vessel construction segment involves the building of new vessels, often including engineering and design, whereas our repair and conversions segment involves work on existing vessels. Vessel construction jobs are typically of longer duration and have a much larger material component than repair and conversion jobs. Additionally, vessel construction activities are primarily performed in shore-based buildings and dedicated work areas, whereas repair activities primarily occur on floating drydocks or on the vessel itself while afloat. Our vessel construction activities are almost always performed under fixed-price contracts accounted for under the percentage-of-completion method of accounting, whereas our repair activities are primarily performed under cost-plus-fee arrangements.

Our product offerings in vessel construction have changed over time to meet market demands and currently include large and small deck barges, crane barges, spud barges, docking barges, tank barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG (liquefied petroleum gas) barges, LNG (liquefied natural gas) bunker vessels, lift boats, ferries, and other offshore support vessels. Our repair work involves maintenance and repair of existing vessels, which is often required as a result of periodic inspections required by the U.S. Coast Guard, the American Bureau of Shipping and other regulatory agencies. Our conversion projects primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel.

We evaluate the performance of our segments based upon gross profit. Selling, general and administrative expenses, executive compensation expense, interest expense, other income/(expense), net and income taxes are not allocated to the segments. Accounting policies are the same as those described in Note 1, “Summary of Significant Accounting Policies.” Intersegment sales and transfers are not significant.

Selected information as to our operations by segment is as follows (in thousands):

|                             | Three months ended<br>March 31, |           |
|-----------------------------|---------------------------------|-----------|
|                             | 2025                            | 2024      |
| Revenue                     |                                 |           |
| Vessel construction         | \$ 73,387                       | \$ 60,552 |
| Repair and conversions      | 7,096                           | 5,727     |
| Total revenue               | 80,483                          | 66,279    |
| Cost of revenue             |                                 |           |
| Vessel construction         | 67,287                          | 57,761    |
| Repair and conversions      | 6,170                           | 5,040     |
| Total cost of revenue       | 73,457                          | 62,801    |
| Gross profit                |                                 |           |
| Vessel construction         | 6,100                           | 2,791     |
| Repair and conversions      | 926                             | 687       |
| Total gross profit          | 7,026                           | 3,478     |
| S G & A expenses            | 2,160                           | 1,452     |
| Income from operations      | 4,866                           | 2,026     |
| Interest expense            | (44)                            | (59)      |
| Other income/(expense), net | 350                             | 85        |
| Income before income taxes  | 5,172                           | 2,052     |
| Provision for income taxes  | 1,302                           | 539       |
| Net income                  | \$ 3,870                        | \$ 1,513  |

Certain other financial information by segment is as follows (in thousands):

|   | Three months ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2025                            | 2024     |
| Depreciation and amortization expense:                      |                                 |          |
| Vessel construction   | \$ 679                          | \$ 870   |
| Repair and conversions                                      | 244                             | 243      |
| Included in selling, general and<br>administrative expenses | 4                               | 4        |
| Total depreciation and amortization expense                 | \$ 927                          | \$ 1,117 |

Total assets and capital expenditures by segment are as follows (in thousands):

|                            | <b>March 31,<br/>2025</b>               | <b>December 31,<br/>2024</b> |
|----------------------------|---|------------------------------|
| Total assets:              |   |                              |
| Vessel construction        | \$ 77,996                               | \$ 82,009                    |
| Repair and conversions     | 22,870                                  | 23,476                       |
| Other                      | 55,057                                  | 42,978                       |
| Total assets               | <u>\$ 155,923</u>                       | <u>\$ 148,463</u>            |
|                            |   |                              |
|                            | <b>Three months ended<br/>March 31,</b> |                              |
|                            | <b>2025</b>                             | <b>2024</b>                  |
| Capital expenditures:      |   |                              |
| Vessel construction        | \$ 436                                  | \$ 403                       |
| Repair and conversions     | -                                       | -                            |
| Other                      | 17                                      | 97                           |
| Total capital expenditures | <u>\$ 453</u>                           | <u>\$ 500</u>                |

Certain assets, including cash and cash equivalents, and capital expenditures are allocated to corporate and are included in the “Other” caption.

Revenues included in our consolidated financial statements are derived exclusively from customers domiciled in the United States and Puerto Rico. All of our assets are located in the United States.

## 15. COMMITMENTS AND CONTINGENCIES

**Legal Matters**—We are a party to various routine legal proceedings primarily involving commercial claims and workers’ compensation claims. While the outcome of these routine claims and legal proceedings cannot be predicted with certainty, management believes that the outcome of such proceedings in the aggregate, even if determined adversely, would not have a material adverse effect on our consolidated financial position, results of operation or liquidity.

In February 2023, we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. We have acknowledged that the amended final judgment in the amount of \$8.04 million, including interest and costs, was received and satisfied in full. Receipt of the judgment amount is reflected in our 2024 financial statements and was recorded in the quarter ended September 30, 2024.

**Employment Agreements**— The Company’s employment agreements with its executive officers expired May 31, 2022. As of May 12, 2025, the Company and the Independent Directors Committee are in the process of reviewing the Company’s executive compensation program and the terms of potential replacement employment agreements. As of May 9, 2025, the minimum annual total compensation for the executive officers was \$1.4 million.

**Letters of Credit and Bonds**— In the normal course of our business, we may be required to provide letters of credit to secure the payment of workers’ compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. Bonds relating to these business activities amounted to \$159.3 million and \$151.9 million at March 31, 2025 and December 31, 2024, respectively. We had letters of credit under our revolving credit facility at March 31,

2025 and December 31, 2024 of \$5.0 million. The \$5.0 million letter of credit has been extended to July 31, 2025. See Note 8 for additional information.

***COVID-19 Pandemic; Inflation; Interest Rates; Tariffs***— In March 2020, COVID-19 was declared a pandemic by the World Health Organization. The federal government declared an end to the COVID-19 public health emergency in May 2023. High inflation and interest rates, due in part to supply shortages and other uncertainties related to the pandemic recovery, have adversely impacted our business. Inflation increased rapidly during 2021 through June 2022. After June 2022, the rate of inflation generally declined; however, it has remained higher than the Federal Reserve’s target rate of inflation of two percent. The Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. Between September 2024 and December 2024, the Federal Reserve lowered the federal funds target rate by 100 basis points on a cumulative basis, to a range of 4.25% to 4.50%. In late 2020 and during 2021, steel prices increased sharply in part due to supply chain issues related to the pandemic, peaking in June and July of 2022. Steel prices have generally declined since then although they began rising again in January 2025 and remain significantly higher than pre-pandemic levels. During the first quarter of 2025, we also encountered new steel tariffs and heightened uncertainty surrounding U.S. trade policy and foreign policy.

## Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes to consolidated financial statements included elsewhere in this report and should be read in conjunction with our 2024 Annual Report.

### Overview

We specialize in the construction, conversion and repair of a wide variety of steel marine vessels for commercial and government customers. These vessels include large and small deck barges, crane barges, spud barges, docking barges, tank barges, berthing barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG barges, LNG bunker vessels, lift boats, ferries, anchor barges, and other offshore support vessels. We operate five shipyards: one in Morgan City, Louisiana, three in Amelia, Louisiana and one in Orange, Texas. For the first quarter of 2025 our new construction segment accounted for 91.2% of our total revenue and our repair and conversions segment accounted for 8.8% of our total revenue. For the year ended December 31, 2024, our new construction segment accounted for 92.4% of our total revenue and our repair and conversions segment accounted for 7.6% of our total revenue.

For the first quarter of 2025, we recognized total revenues of \$80.5 million, net income of \$3.9 million and income per diluted share of \$0.77, compared to first quarter of 2024 revenues of \$66.3 million, net income of \$1.5 million, and income per diluted share of \$0.30. Our improved financial results during 2024 and first-quarter 2025 and solid backlog, strengthened our financial condition and improved our bonding capacity. In addition, during the first quarter of 2025, we were able to extend our revolving credit facility maturity to May 31, 2026.

Net income for the first quarter of 2025 was \$3.9 million compared to \$1.5 million for the first quarter of 2024, primarily due to the new construction segment. Net income in the first quarter of 2025 primarily resulted from profitable jobs, improved performance on contracts, fewer loss jobs, favorable adjustments on projects for which we recorded forward losses in previous years and lower overhead allocations as we experienced higher overall volume compared to the first quarter of 2024. Gross profit in new construction totaled \$6.1 million primarily relating to improved performance on contracts signed in the second half of 2024.

Repair gross profit was \$926,000 for the first quarter of 2025 compared to \$687,000 for the first quarter of 2024. The increase in gross profit in the repair and conversions segment for the first quarter of 2025 was primarily the result of increased volume.

As reported in Notes 2 and 15 in our financial statements, in February 2023, we were awarded a \$7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. We have acknowledged that the amended final judgment in the amount of \$8.04 million, including interest and costs, was received and satisfied in full. Receipt of the judgment amount is reflected in Other income in our 2024 income statement and was recorded in the quarter ended September 30, 2024.

At March 31, 2025, we had cash and cash equivalents of \$35.9 million compared to \$23.1 million at December 31, 2024. Working capital was \$46.4 million at March 31, 2025 compared with \$42.5 million at year-end 2024. Total debt was \$2.5 million and \$2.9 million at March 31, 2025 and December 31, 2024, respectively. As of March 31, 2025, no amounts were drawn on our \$10 million revolving credit facility and one \$5 million letter of credit was committed against the facility, leaving \$5 million available to draw under the facility. In February 2025, the maturity of the revolving credit facility was extended to May 31, 2026. See Note 8 for additional information.

As of March 31, 2025, our operating results have continued to improve year-over-year, despite a continued challenging environment. While we benefited in 2024 from stabilizing steel prices, easing inflation, and declining interest rates compared to 2023, many of these factors remain elevated relative to historical norms. Steel prices are still above pre-pandemic levels, inflation remains above the Federal Reserve's target, interest rates continue to be relatively high, and the labor market remains tight. In February 2024, we significantly increased our hourly labor rate to improve retention and hiring of direct labor, which has supported workforce stability but also contributed to increased labor costs. Pricing pressure persists across both our new construction and repair segments. Ongoing global instability, particularly the

conflicts in Ukraine and Israel and surrounding regions, continues to create uncertainty and may negatively impact our operations. During the first quarter of 2025, we also encountered new steel tariffs, rising steel prices, and heightened uncertainty surrounding inflation, U.S. trade policy, and foreign policy. As a result, our outlook for the remainder of 2025 remains uncertain. For further information regarding steel prices, please refer to our *2024 Annual Report – Business Overview – Materials and Supplies*.

Although we face substantial uncertainties in our markets, we believe we enjoy many competitive advantages, including our shipyard capacity, our investments in improving our shipyards' capabilities and efficiencies, our experienced management and engineering teams and our many devoted employees. We also believe that we benefit from a reputation for producing quality products and for workplace safety, as evidenced by being awarded the 2023 and 2024 American Equity Underwriters, Inc. (AEU) Safety Award and both the 2023 and 2024 Shipbuilders Council of America (SCA) "Excellence in Safety" awards and the 2023 "Improvement in Safety" award. The infrastructure market continues to be a bright spot, providing attractive projects and opportunities. While repair activity in early 2025 has been slower than anticipated due to customer project delays, we remain optimistic that positive momentum observed in 2024 will resume later this year. We believe that contracts we signed during 2024 and first-quarter 2025 generally reflect lessons learned on prior jobs, are not as complex and are better priced. Bid activity in early 2025 has been good, inland tank barge utilization has been high, and there remains government funding available for infrastructure and military projects. In addition, we are encouraged by recent indications by the federal government that it is focusing on ways to improve conditions for the maritime industry and vessel construction in the U.S.

In March 2022, we were awarded a fixed-price contract by the U.S. Navy for the design and construction of a Yard, Repair, Berthing and Messing ("YRBM") barge, with options for an additional seven barges. The YRBM barges provide a temporary home away from home and workplace for U.S. service men and women whose vessels are in port for repairs and/or maintenance. The U.S. Navy exercised options for three additional YRBM barges during 2022, an option during 2023 for the fifth YRBM barge, and options for the sixth, seventh, and eighth YRBM barges were exercised in 2024, bringing the total contracts awarded through year-end 2024 to \$151.9 million. We delivered the first YRBM barge to the U.S. Navy in October 2024 and the second YRBM barge in March 2025. We expect to deliver three additional YRBM barges during 2025 and the remainder thereafter. In March 2025, we were awarded a \$28 million fixed-price modification to the previously awarded contract for the design and construction of a ninth YRBM barge.

During the November 2024 International WorkBoat Show, Conrad-built Multi Cat dredge support vessels were the winner of the annual Significant Boat of the Year. In February 2024, we delivered the first 6,500-cubic-yard-capacity dredge, awarded in 2020. In June of 2022, our customer exercised the option to construct a second 6,500-cubic-yard-capacity dredge, which is the largest contract in our company's history. Although we have recorded forward losses on the dredges in 2022, 2023 and 2024, lessons learned on the first dredge have improved our performance on the second dredge, which is scheduled for delivery in the third quarter of 2025. We are constructing a hybrid-electric passenger and vehicle ferry for The Trust for Governors Island in New York, with an expected delivery in May of 2025. We announced on August 29, 2023 that we were awarded a contract by the Puerto Rico Maritime Transit Authority for the construction of four cargo and passenger ferry vessels. The ferries, designed to carry 300 passengers and 300 short tons of cargo, will operate between the Municipality of Ceiba and the Municipality Islands of Vieques and Culebra in Puerto Rico. We expect to deliver the first ferry to San Juan, Puerto Rico in the first half of 2025.

In recent years, we have been actively pursuing and have been successful in obtaining opportunities to produce different types of vessels for new markets. Some of these vessels are larger, take longer to start production and take longer to complete than the types of vessels we constructed historically. Although we have recorded losses on some of these projects, we believe we have also improved our production processes and our ability to construct larger, more complex vessels, and have diversified our product mix over time. We believe our capital improvement program at our Deepwater South yard has strengthened our ability to compete for larger, more complex projects. While these types of projects can entail additional risk, they can also supply us with a more consistent backlog for a longer period of time. Our experience on these projects has also led us to expand our engineering team and to improve our project management capabilities. For additional information, see our 2024 Annual Report.

The demand for our products and services is dependent upon a number of factors, including the economic condition of our customers and markets, the age and state of repair of the vessels operated by our customers and the relative cost

to construct a new vessel as compared with repairing an older vessel. Because some of our repair work is derived from the Gulf of America oil and gas industry, conditions in that industry affect our repair segment.

During the first quarter of 2025 and for the year ended December 31, 2024, we received approximately 65.6% and 62.4%, respectively, of our total revenues from commercial customers, 28.2% and 34.4% from government customers and 6.2% and 3.2% from customers in the Gulf of America oil and gas industry.

During the first quarter of 2025, we increased our backlog by \$67.3 million, as compared to \$51.8 million added in the first quarter of 2024. Our backlog was \$292.0 million at March 31, 2025, \$293.8 million at December 31, 2024 and \$247.3 million at March 31, 2024. Our backlog as of March 31, 2025 consisted of 52 vessels: ten deck barges, eight spud barges, seven 30,000 bbl tank barges, seven YRBM barges, five ferries, four LPG barges, two drydock modules, two ice class tugs, two towboats, one anchor barge, one crane barge, one 6,500-cubic-yard capacity trailing suction hopper dredge, one drydock, and one sponson barge. As of March 31, 2025 and December 31, 2024, approximately 26.6% and 19.7%, respectively, of our backlog related to the YRBM project. We expect to complete approximately 74.9% of our backlog at March 31, 2025 during 2025. Our management team is focused on effectively executing our backlog and on obtaining additional backlog.

From time to time, we have experienced gaps in our construction schedules and began construction on projects that were not under contract, but we believed we could convert to contracts in a relatively short period of time within starting construction or within completion of the project. The primary goal of this strategy is to maintain operational efficiencies and revenue volume between contracted projects. We have also constructed stock vessels for strategic business and marketing reasons. The ultimate selling price and timing of the sales of stock vessels can have an impact on our revenue, profitability, and working capital. At March 31, 2025 and December 31, 2024, we did not have any stock vessels under construction. Stock vessel construction decisions are driven by management's analysis of external market dynamics, which can change from period to period.

Our new construction projects generally range from one month to twenty-four months in duration. We use the percentage-of-completion method of accounting and therefore take into account the estimated costs, estimated earnings, and revenue to date on fixed-price contracts not yet completed. The amount of revenue recognized is based on the portion of the total contract price that the labor hours incurred to date bears to the estimated total labor hours, based on current estimates to complete the project. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of cost incurred during the period plus the fee earned.

Most of the contracts we enter into for new vessel construction, and some of our contracts for conversion and repair, whether commercial or governmental, are fixed-price contracts under which we retain all cost savings on completed contracts but are liable for all cost overruns. We develop our bids for a fixed price project by estimating the amount of labor hours and the cost of materials necessary to complete the project and then bid the projects in order to achieve a sufficient profit margin to justify the allocation of our resources to such project. Our revenues therefore may fluctuate from period to period based on, among other things, the aggregate amount of materials used in projects during a period and whether the customer provides materials and equipment. We perform many of our conversion and repair services on a time and materials basis pursuant to which the customer pays a negotiated labor rate for labor hours spent on the project as well as the cost of materials plus a margin on materials purchased. Repair projects may take a few days to a few weeks, although some extend for a longer period.

We delisted our common stock on March 30, 2005 and filed a Form 15 to deregister our common stock under Section 12 of the Securities Exchange Act of 1934 and cease filing reports pursuant to Section 15(d) of that Act primarily to reduce expenses.



## Results of Operations

The following table sets forth certain of our historical data and percentage of revenues for the periods presented (in thousands):

### Conrad Industries, Inc. Summary Results of Operations

(In thousands)

|                                | Three months ended March 31, |        |             |        |
|--------------------------------|------------------------------|--------|-------------|--------|
|                                | 2025                         |        | 2024        |        |
| Financial Data:                |                              |        |             |        |
| Revenue                        |                              |        |             |        |
| Vessel construction            | \$ 73,387                    | 91.2%  | \$ 60,552   | 91.4%  |
| Repair and conversions         | 7,096                        | 8.8%   | 5,727       | 8.6%   |
| Total revenue                  | 80,483                       | 100.0% | 66,279      | 100.0% |
| Cost of revenue                |                              |        |             |        |
| Vessel construction            | 67,287                       | 91.7%  | 57,761      | 95.4%  |
| Repair and conversions         | 6,170                        | 87.0%  | 5,040       | 88.0%  |
| Total cost of revenue          | 73,457                       | 91.3%  | 62,801      | 94.8%  |
| Gross profit                   |                              |        |             |        |
| Vessel construction            | 6,100                        | 8.3%   | 2,791       | 4.6%   |
| Repair and conversions         | 926                          | 13.0%  | 687         | 12.0%  |
| Total gross profit             | 7,026                        | 8.7%   | 3,478       | 5.2%   |
| S G & A expenses               | 2,160                        | 2.7%   | 1,452       | 2.2%   |
| Income from operations         | 4,866                        | 6.0%   | 2,026       | 3.1%   |
| Interest expense               | (44)                         | -0.1%  | (59)        | -0.1%  |
| Other income/(expense), net    | 350                          | 0.4%   | 85          | 0.1%   |
| Income before income taxes     | 5,172                        | 6.4%   | 2,052       | 3.1%   |
| Income tax provision           | 1,302                        | 1.6%   | 539         | 0.8%   |
| Net income                     | \$ 3,870                     | 4.8%   | \$ 1,513    | 2.3%   |
| EBITDA <sup>(1)</sup>          | \$ 6,143                     | 7.6%   | \$ 3,228    | 4.9%   |
| Net cash provided by/(used in) |                              |        |             |        |
| operating activities           | \$ 13,585                    |        | \$ (15,311) |        |
| Net cash used in investing     |                              |        |             |        |
| activities                     | \$ (453)                     |        | \$ (500)    |        |
| Net cash used in financing     |                              |        |             |        |
| activities                     | \$ (375)                     |        | \$ (500)    |        |

- (1) Represents earnings before deduction of interest, taxes, depreciation and amortization. EBITDA is not a measure of cash flow, operating results or liquidity as determined by generally accepted accounting principles. We have included information concerning EBITDA as supplemental disclosure because management believes that EBITDA provides meaningful information regarding a company's historical ability to incur and service debt. EBITDA as defined and measured by us may not be comparable to similarly titled measures reported by other companies. EBITDA should not be considered in isolation or as an alternative to, or more meaningful than, net income or cash flow provided by operations as determined in accordance with generally accepted accounting principles as an indicator of our profitability or liquidity.

The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA for the periods presented (in thousands):

|   | Three months ended<br>March 31, |                 |
|---|---------------------------------|-----------------|
|   | 2025                            | 2024            |
| Net cash provided by/(used in)              |                                 |                 |
| operating activities                        | \$ 13,585                       | \$ (15,311)     |
| Interest expense                            | 44                              | 59              |
| Provision for income taxes                  | 1,302                           | 539             |
| Deferred income tax benefit                 | (105)                           | (30)            |
| Changes in operating assets and liabilities | (8,683)                         | 17,971          |
| EBITDA                                      | <u>\$ 6,143</u>                 | <u>\$ 3,228</u> |

Revenue for the first quarter of 2025 increased \$14.2 million, or 21.4%, to \$80.5 million compared to \$66.3 million generated for the same period in 2024. The increase was due to a \$12.8 million, or 21.2%, increase in new construction revenue and increase of \$1.4 million, or 23.9%, in repair and conversion revenue for the first quarter of 2025 compared to the same period in 2024. Vessel construction hours for the first quarter of 2025 increased 41.3%, when compared to the same period in 2024. Repair and conversion hours increased 18.0% for the first quarter of 2025 when compared to the same period in 2024. Revenue increased primarily due to higher volume.

For the first quarter of 2025, vessel construction revenue was 91.2% of total revenue compared to 91.4% for the same period in 2024 and repair and conversion revenue was 8.8% of total revenue compared to 8.6% for the same period in 2024. For the first quarter of 2025, 65.6% was from commercial customers, 28.2% of revenue was government related, and 6.2% was from the energy sector. This compares to 60.3% commercial, 36.4% government related, and 3.3% energy for the same period in 2024.

Gross profit was \$7.0 million (8.7% of revenue) for the first quarter of 2025 compared to \$3.5 million (5.2% of revenue) for the same period of 2024. Vessel construction gross profit was \$6.1 million for the first quarter of 2025 compared to \$2.8 million for the first quarter of 2024. The vessel construction gross profit in 2025 primarily resulted from profitable jobs, improved performance on contracts, fewer loss jobs, favorable adjustments on projects for which we recorded forward losses in previous years, and lower overhead allocations as we experienced higher overall volume compared to the first quarter of 2024. First-quarter 2024 included a forward loss due to the award of the sixth YRBM vessel. Repair and conversion gross profit increased \$239,000, or 34.8%, for the first quarter of 2025 compared to the first quarter of 2024. The increase in gross profit in the repair and conversions segment was primarily a result of increased activity.

Vessel construction gross profit margins were 8.3% for the first quarter of 2025 compared to 4.6% for the same period of the prior year, primarily due to higher vessel construction gross profit as described above.

Repair and conversion gross profit margins were 13.0% for the first quarter of 2025 compared to 12.0% for the same period of 2024.

Selling, general and administrative expenses ("SG&A") were \$2.2 million for the first quarter of 2025, compared to \$1.5 million for the same period in 2024. The increase was primarily due to a higher bad debt reserve, increased franchise tax, and employee bonuses.

Interest expense decreased to \$44,000 for the first quarter of 2025, compared to \$59,000 for the same period of 2024. The decrease is due to the reduction in the term loan balance. See Note 8 for additional information.

We had other income of \$350,000 in the first quarter of 2025 compared to \$85,000 in the first quarter of 2024, which was primarily related to interest and vendor discounts.

We had an income tax provision of \$1.3 million for the first quarter of 2025 compared to an income tax provision of \$539,000 for the same period in 2024. The change in income tax expense is primarily attributable to the increase in net income in the first quarter of 2025.

### **Liquidity and Capital Resources**

Net cash provided by operating activities was \$13.6 million for the first quarter of 2025 compared to net cash used in operating activities of \$15.3 million for the same period in 2024. The increase in cash flow for the first quarter of 2025 is primarily due to an increase in the net change in billings on contracts in progress and a decrease in contracts receivable. Our working capital position was \$46.4 million at March 31, 2025 compared to \$42.5 million at December 31, 2024. Cash and cash equivalents at March 31, 2025 and December 31, 2024 were \$35.9 million and \$23.1 million, respectively. Management continues to engage in a detailed business planning process in assessing the Company's cash position and potential resources in light of the challenging operating environment, new types of projects being pursued, and the Company's capital expenditure program.

Our net cash used in investing activities of \$453,000 for the first quarter of 2025 reflected capital expenditures for facility improvements and machinery purchases. Other significant approved capital expenditures include improvements to increase capacity and operational efficiencies. For 2025, our Board of Directors approved \$6.5 million in capital expenditures; however, we will monitor our capital expenditures closely. As of March 31, 2025, we had no material commitments for capital expenditures.

To fill in gaps in our construction schedules, we construct stock vessels from time to time. We have also constructed stock vessels for strategic business and marketing reasons. As of March 31, 2025, we did not have any stock vessels under construction. Stock vessel construction decisions are driven by management's analysis of external market dynamics, which can change from period to period.

Net cash used in financing activities for the first quarters of 2025 and 2024 was \$375,000 and \$500,000, respectively, for repayment of debt. Our board did not declare a dividend during the first quarters of 2025 and 2024. Declaration of dividends is at the discretion of the Board each quarter, and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board. For additional information on our common stock dividends, see pages 18 and 21 of our 2024 Annual Report.

During December 2014, our Board approved an increase in our stock repurchase program to \$20 million. The program permits purchase of common stock in the open market or privately negotiated transactions, does not obligate us to acquire any particular amount of stock, does not have an expiration date and can be amended or terminated at any time without prior notice. In the first quarter of 2025 and the first quarter of 2024, there were no purchases of stock. As of March 31, 2025, \$1.0 million remained available for future repurchases under our stock repurchase program. Subsequent to March 31, 2025, the Company's Board of Directors reauthorized the \$1.0 million remaining available under the program and authorized an additional \$1.0 million for repurchases under the program. For additional information on our stock repurchase program, see page 21 of our 2024 Annual Report.

Our long-term debt is described in Note 8 to our financial statements included in this report and in our 2024 Annual Report.

In the normal course of our business, we are required to provide letters of credit as security for our workers' compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. At March 31, 2025, bonds and letters of credit amounted to \$164.3 million compared to \$156.9 million at December 31, 2024. In recent periods we have experienced challenges in obtaining sufficient bonding capacity for larger projects on terms that we desired. Our improved financial performance during 2024 and first-quarter 2025 has improved our bonding capacity. However, there can be no assurance we will continue to be successful in obtaining bonds or letters of credit in the amounts, at terms and at times we desire. In addition, the cost of obtaining such bonds, letters of credit and similar obligations has increased and may continue to increase.

We believe that our existing working capital and projected cash flow from operations will enable us to meet our cash obligations for at least the next 12 months. Our cash forecasts are subject to change depending on changes in steel, other material and labor costs, the extent to which we experience unanticipated overruns in material costs and labor hours necessary to complete fixed-priced projects, our ability to add profitable backlog and repair work, our ability to add and retain skilled labor, evolving implications of the wars and violence in Ukraine and Israel and surrounding areas, the extent to which we must extend favorable terms to customers in order to obtain contracts, the impacts of economic conditions, including inflation and interest rates, on our customers, employees, subcontractors and suppliers. As noted elsewhere in this report and in our Annual Report, on March 12, 2025, the United States imposed 25% tariffs on imports of steel from all countries. Steel tariffs tend to increase the prices that we pay to purchase steel and to increase the cost of vessels for our customers, which negatively impacts demand for our products. Potential future additional tariffs or trade restrictions could disrupt our supply chain, increase our costs, and reduce our sales. The current U.S. presidential administration has shifted its position on tariffs and trade restrictions a number of times. Accordingly, we can provide no assurance that the results projected in our cash forecasts will be achieved. For a discussion of material risks that may impact our business, please refer to “*Risk Factors*” in our 2024 Annual Report.

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

## **Conrad Industries, Inc.**

A Delaware Corporation

1100 Brashear Ave., Suite 200, Morgan City, LA 70380

(985) 702-0195

<http://www.conradindustries.com>

[investors@conradindustries.com](mailto:investors@conradindustries.com)

## **Quarterly Report**

**For the period ending March 31, 2025 (the “Reporting Period”)**

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

5,017,935 as of March 31, 2025 *(Current Reporting Period Date or More Recent Date)*

5,017,935 as of December 31, 2024 *(Most Recent Completed Fiscal Year End)*

### **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>4</sup> of the company has occurred during this reporting period:

Yes: ☐ No: ☒

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<sup>4</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.

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

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

Conrad Industries, Inc.

Current State and Date of Incorporation or Registration: A Delaware corporation since March 1998

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

None

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

None

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

None in the last 12 months. The Company considers strategic transactions and will disclose such considerations or transactions when appropriate.

Address of the issuer's principal executive office:

1100 Brashear Ave., Suite 200, Morgan City, LA 70380

Address 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: Equiniti Trust Company, LLC

Phone: (800) 937-5449

Email: HelpAST@equiniti.com

Address: 6201 15th Avenue, Brooklyn, NY 11219

**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:                                  | <u>CNRD</u>         |                                     |
| Exact title and class of securities outstanding: | <u>Common Stock</u> |                                     |
| CUSIP:   | <u>208305102</u>    |                                     |
| Par or stated value:                             | <u>\$0.01</u>       |                                     |
| Total shares authorized:                         | <u>20,000,000</u>   | <u>as of date: March 31, 2025</u>   |
| Total shares outstanding:                        | <u>5,017,935</u>    | <u>as of date: March 31, 2025</u>   |
| Total number of shareholders of record:          | <u>101</u>          | <u>as of date: January 10, 2025</u> |

*Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.*

N/A

**Other classes of authorized or outstanding equity securities that do not have a trading symbol:**

*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 that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

|   |                        |                                     |
|---|------------------------|-------------------------------------|
| Exact title and class of the security:  | <u>Preferred Stock</u> |                                     |
| Par or stated value:                    | <u>\$0.01</u>          |                                     |
| Total shares authorized:                | <u>5,000,000</u>       | <u>as of date: March 31, 2025</u>   |
| Total shares outstanding:               | <u>None</u>            | <u>as of date: March 31, 2025</u>   |
| Total number of shareholders of record: | <u>None</u>            | <u>as of date: January 10, 2025</u> |

*Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.*

\_\_\_\_\_

**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:*

The description of the Company's securities herein is qualified by reference to the terms of the Company's certificate of incorporation, bylaws, and stockholders' rights plan, copies of which are available to investors upon request to the Company, and to the provisions of the Delaware General Corporation Law.

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

**Dividends**

The holders of Common Stock are entitled to receive dividends if, as and when such dividends are declared by the Board of Directors out of assets legally available therefor, after payment of dividends required to be paid on shares of Preferred stock, if any. Upon liquidation or dissolution, holders of Common Stock are entitled to share ratably in all net assets available for distribution to stockholders, after payment of any liquidation preferences to holders of Preferred Stock, if any.

### **Voting Rights and Preemptive Rights**

Each share of Common Stock entitles the holder to one vote in all elections of directors and on all other matters duly submitted to shareholders for their vote or consent. The shares of Common Stock do not have cumulative voting rights. The holders of Common Stock do not have preemptive rights.

### **Stockholders' Rights Plan**

During May 2002, we adopted a rights plan, which was amended in May 2012 and May 2022. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders. Under the plan, we declared and paid a dividend on June 18, 2002 of one right for each share of common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for \$70 per one one-thousandth, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership of, 15 percent or more of our outstanding common stock while the plan remains in place, then, unless we redeem the rights for \$0.001 per right, the rights will become exercisable by all rights holders except the acquiring person or group for shares of common stock or of the acquiring person having a market value of twice the purchase price of the rights.

As amended, the rights will expire on May 23, 2032, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

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

Preferred Stock may be issued from time to time in one or more series and in such amounts as may be determined by the Board of Directors. The voting powers, designations, preferences and relative, participating, optional or other special rights, including dividend, redemption and conversion rights, and liquidation preference, if any, and the qualifications, limitations or restrictions thereof, if any, of the Preferred Stock of each series will be fixed by the Board of Directors at the time of issuance.

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

The description of the Company's securities herein is qualified by reference to the terms of the Company's certificate of incorporation, bylaws, and stockholders' rights plan, copies of which are available to investors upon request to the Company, and to the provisions of the Delaware General Corporation Law.

#### **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 for the two most recently completed fiscal years and any subsequent period.**

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 <u>Opening Balance:</u><br>Date <u>January 1, 2023</u> Common: <u>5,017,935</u><br>Preferred: <u>0</u>                             |  |  | *Right-click the rows below and select "Insert" to add rows as needed. |   |  |  |  |   |                                 |
|---|--|--|--|---|--|--|--|---|---------------------------------|
| Date of Transaction   | Transaction type (e.g., new issuance, cancellation, shares returned to treasury) | Number of Shares Issued (or cancelled) | Class of Securities  | Value of shares issued (\$/per share) at Issuance | Were the shares issued at a discount to market price at the time of issuance? (Yes/No) | Individual/ Entity Shares were issued to.<br><br>***You must disclose the control person(s) for any entities listed. | Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided | Restricted or Unrestricted as of this filing. | Exemption or Registration Type. |
| _____   | _____  | _____                                  | _____  | _____   | _____  | _____  | _____  | _____   | _____                           |
| _____   | _____  | _____                                  | _____  | _____   | _____  | _____  | _____  | _____   | _____                           |
| _____   | _____  | _____                                  | _____  | _____   | _____  | _____  | _____  | _____   | _____                           |
| Shares Outstanding on Date of This Report:<br><u>Ending Balance:</u><br>Date <u>March 31, 2025</u><br>Common: <u>5,017,935</u><br>Preferred: <u>0</u> |  |  |  |   |  |  |  |   |                                 |

**Example:** A company with a fiscal year end of December 31<sup>st</sup> 2024, 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, 2023 through December 31, 2024 pursuant to the tabular format above.

Any additional material details, including footnotes to the table are below:

\_\_\_\_\_

## B. Convertible Debt

The following is a complete list of the Company's Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

☒ Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

| Date of Note Issuance | Principal Amount at Issuance (\$) | Outstanding Balance (\$)<br>(include accrued interest) | Maturity Date | Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares) | # Shares Converted to Date | # of Potential Shares to be Issued Upon Conversion <sup>5</sup> | Name of Noteholder (entities must have individual with voting / investment control disclosed). | Reason for Issuance (e.g., Loan, Services, etc.) |
|-----------------------|-----------------------------------|--|---------------|---|----------------------------|---|--|--|
|                       |                                   |  |               |   |                            |   |  |  |
|                       |                                   |  |               |   |                            |   |  |  |
|                       |                                   |  |               |   |                            |   |  |  |
|                       |                                   |  |               |   |                            |   |  |  |
|                       |                                   |  |               |   |                            |   |  |  |
|                       |                                   |  |               |   |                            |   |  |  |

Total Outstanding Balance:

Total Shares:

Any additional material details, including footnotes to the table are below:

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

The purpose of this section is to provide a clear description of the issuer's current operations. 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")

Conrad Industries specializes in the construction, conversion and repair of a wide variety of marine vessels, including large and small deck barges, crane barges, spud barges, docking barges, tank barges, berthing barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG barges, LNG bunker vessels, lift boats, ferries, and other offshore support vessels. Through our subsidiaries, we operate five shipyards in Louisiana and Texas that serve a variety of customers and markets. For the quarter ended March 31, 2025, 65.6 percent was related to commercial markets, 28.2 percent was government related, and 6.2 percent of our total revenue was related to the Gulf of America oil and gas industry. For additional information regarding our business operations, please see Section I of our 2024 Annual Report – "Business Overview," beginning on page 6.

<sup>5</sup> The total number of shares that can be issued upon full conversion of the Outstanding Balance. The number should not factor any "blockers" or limitations on the percentage of outstanding shares that can be owned by the Noteholder at a particular time. For purposes of this calculation, please use the current market pricing (e.g. most recent closing price, bid, etc.) of the security if conversion is based on a variable market rate.

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

Conrad Industries, Inc. is the parent company for our business. Our wholly-owned subsidiaries, are Conrad Shipyard, L.L.C., Conrad Orange Shipyard, Inc., Conrad Shipyard Amelia, L.L.C. and Conrad LNG, L.L.C. For additional information regarding our subsidiaries, please see Section I of our 2024 Annual Report – “Business Overview,” beginning on page 6.

C. Describe the issuers’ principal products or services.

Conrad Industries specializes in the construction, repair and conversion of marine vessels at its shipyards in Louisiana and Texas. The Company serves a variety of markets. For additional information regarding our products and principal markets, please see Section I of our 2024 Annual Report – “Business Overview,” beginning on page 6.

**5) Issuer’s Facilities**

*The goal of this section is to provide investors 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. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Through our subsidiaries, we own and operate five shipyards: one in Morgan City, Louisiana, three in Amelia, Louisiana, and one in Orange, Texas. For a detailed description of our facilities, please see Section I of our 2024 Annual Report – “Properties,” beginning on page 19. Our term loan and revolving credit facility are secured by accounts receivable, deposit accounts and chattel paper, and by two dry-docks.

**6) All Officers, Directors, and Control Persons of the Company**

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer’s securities.

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. 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 investors 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 owners.*

| Individual Name<br>(First, Last)<br>or<br>Entity Name<br>(Include names of control person(s) if<br>a corporate entity)   | Position/Company<br>Affiliation<br>(ex: CEO, 5% Control<br>person)                               | City and State<br>(Include Country if<br>outside U.S.) | Number of<br>Shares<br>Owned<br>(List common,<br>preferred,<br>warrants and<br>options<br>separately) | Class of<br>Shares<br>Owned | Percentage of<br>Class of<br>Shares<br>Owned<br>(undiluted) |
|--|--|--|---|-----------------------------|---|
| <u>John P. Conrad, Jr.</u>   | <u>Chief Executive<br/>Officer and<br/>Chairman of the<br/>Board / Owner of<br/>more than 5%</u> | <u>Berwick,<br/>Louisiana</u>                          | <u>991,375</u>  | <u>Common</u>               | <u>19.8%</u>  |
| <u>Katherine C. Court</u>  | <u>Owner of more than<br/>5%</u>   | <u>Round Mountain,<br/>Texas</u>                       | <u>521,634</u>  | <u>Common</u>               | <u>10.4%</u>  |
| <u>Minerva Group LP</u>  | <u>Owner of more than<br/>5%</u>   | <u>Bala Cynwyd,<br/>Pennsylvania</u>                   | <u>478,362</u>  | <u>Common</u>               | <u>9.5%</u>   |
| <u>Johnny &amp; Mary Lou Conrad<br/>Family, LLC</u><br><br><u>Edward Leonard &amp; John P.<br/>Armato, as Co-Trustees of<br/>the Johnny &amp; Mary Lou<br/>Conrad 2009 Trust</u> | <u>Owner of more than<br/>5%</u>   | <u>Morgan City,<br/>Louisiana</u>                      | <u>260,816</u>  | <u>Common</u>               | <u>5.2%</u>   |
| <u>Johnny &amp; Mary Lou Conrad<br/>2009 Trust</u><br><br><u>Edward Leonard &amp; John P.<br/>Armato, as Co-Trustees</u>   | <u>Owner of more than<br/>5%</u>   | <u>Morgan City,<br/>Louisiana</u>                      | <u>255,600</u>  | <u>Common</u>               | <u>5.1%</u>   |
| <u>Cecil A. Hernandez</u>  | <u>President and<br/>Director</u>  | <u>Berwick,<br/>Louisiana</u>                          | <u>50,968</u>   | <u>Common</u>               | <u>1.0%</u>   |
| <u>Ogden U. Thomas, Jr.</u>  | <u>Director</u>  | <u>Patterson,<br/>Louisiana</u>                        | <u>2,000</u>  | <u>Common</u>               |   |
| <u>Daniel T. Conrad</u>  | <u>Senior Vice<br/>President, Director<br/>and Assistant<br/>Secretary</u>                       | <u>Morgan City,<br/>Louisiana</u>                      | <u>1,200</u>  | <u>Common</u>               |   |
| <u>Larry J. Callais</u>  | <u>Director</u>  | <u>Berwick,<br/>Louisiana</u>                          | <u>None</u>   |                             |   |
| <u>John R. Waldo</u>   | <u>Director</u>  | <u>Oklahoma City,<br/>Oklahoma</u>                     | <u>None</u>   |                             |   |
| <u>Scott A. Thomas</u>   | <u>Vice President,<br/>Chief Financial<br/>Officer, Treasurer<br/>and Secretary</u>              | <u>Patterson,<br/>Louisiana</u>                        | <u>None</u>   |                             |   |

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, log in to [www.OTCIQ.com](http://www.OTCIQ.com) to update your company profile.

## 7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of 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, financial- or investment-related, insurance or banking activities;

No

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

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject 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.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

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 to 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.

For information regarding legal proceedings, please see Notes 2 and 15 to our audited financial statements for the year ended December 31, 2024 and to our unaudited interim financial statements for the quarter ended March 31, 2025.

## 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.

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, update your company profile.

### Securities Counsel

Name: Jones Walker, LLP  
Address 1: 445 North Boulevard, Suite 800  
Address 2: Baton Rouge, Louisiana 70802  
Phone: (225) 248-2000  
Email: drousseau@joneswalker.com

### Accountant or Auditor

Name: Jeremy C. Meaux, CPA  
Firm: Darnall, Sikes & Frederick  
Address 1: 2000 Kaliste Saloom Road  
Address 2: Lafayette, Louisiana 70508  
Phone: (337) 232-3312  
Email: jeremym@dsfcpas.com

### Investor Relations

Name: None  
Firm:  
Address 1:  
Address 2:  
Phone:  
Email:

### *All other means of Investor Communication:*

X (Twitter): N/A  
Discord: N/A  
LinkedIn: N/A  
Facebook: N/A  
[Other ] N/A

### Other Service Providers

Provide the name of any other service provider(s) 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.

Name: None  
Firm:  
Nature of Services:  
Address 1:  
Address 2:  
Phone:  
Email:

## 9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Scott A. Thomas  
Title: Vice President, Chief Financial Officer, Treasurer and Secretary  
Relationship to Issuer: Employee

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

- ☐ IFRS  
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Scott A. Thomas  
Title: Vice President, Chief Financial Officer, Treasurer and Secretary  
Relationship to Issuer: Employee

Describe the qualifications of the person or persons who prepared the financial statements:<sup>6</sup>

Scott A. Thomas became Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of the Company in July 2022. He became Secretary in March 2025. Prior to joining the Company, Mr. Thomas served as Vice President of Finance at Twin Brothers Marine since June 2020 and as Chief Financial Officer/Vice President of Finance and Administration at InterMoor Inc., from October 2004 until April 2020. In his early career, Mr. Thomas worked as an Accounting Manager for Technip Offshore, the previous owner of InterMoor Inc. Prior to Technip, Mr. Thomas was a Business Analyst for Houma-based Cross Group and a Marine Logistics Coordinator for Leevac Marine/Hornbeck Offshore. Mr. Thomas is a graduate of University of Louisiana at Lafayette with a Bachelor of Science degree in Accounting and a Master of Business Administration degree.

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

### **Financial Statement Requirements:**

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

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<sup>6</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.

## 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, Cecil A. Hernandez certify that:

1. I have reviewed this Disclosure Statement for Conrad Industries, Inc.;
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.

May 15, 2025

/s/ Cecil A. Hernandez  
President and Chief Executive Officer  
and member of the Board

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

### *Principal Financial Officer:*

I, Scott A. Thomas certify that:

1. I have reviewed this Disclosure Statement for Conrad Industries, Inc.;
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.

May 15, 2025

/s/ Scott A. Thomas  
Vice President, Chief Financial Officer, Treasurer and Secretary

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