CONAIR CORP.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
Year Ended September 30, 2017

CONAIR CORP. AND SUBSIDIARIES

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Margolin, Winer & Evens LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Conair Corp. and Subsidiaries
Garden City Park, New York

We have reviewed the accompanying consolidated financial statements of Conair Corp. and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of September 30, 2017, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Margolin, Winer & Evens LLP

Garden City, New York
December 29, 2017

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CONAIR CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Unaudited)

September 30,	2017
ASSETS	
Current Assets:	
Cash	$ 1,061,922
Accounts receivable (net of allowance for doubtful accounts of $45,000)	1,141,295
Inventory - materials	16,600
Costs and estimated earnings in excess of billings on uncompleted contracts	40,356
Prepaid income taxes	773
Prepaid expenses and other assets	91,042
Total Current Assets	2,351,988
Marketable Securities - long-term	1,100,000
Property, Plant and Equipment, at cost:	
Land	40,300
Building and improvements	287,078
Automobiles and trucks	700,745
Office equipment and fixtures	263,566
	1,291,689
Less accumulated depreciation	1,242,224
Property, Plant and Equipment - net	49,465
Deferred Tax Asset	180,000
Total Assets	$ 3,681,453

	2017
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable and accrued expenses	$ 1,686,492
Current portion of long-term debt - note payable - stockholder	24,325
Current portion of long-term debt - due to related party	78,000
Billings in excess of costs and estimated earnings on uncompleted contracts	836,508
Payroll and other taxes payable	4,367
Deferred service contract revenue	45,556
Total Current Liabilities	2,675,248
Long-term Liabilities:	
Security deposit	7,875
Due to related party, net of current portion	39,500
Total Long-term Liabilities	47,375
Total Liabilities	2,722,623
Stockholders' Equity:	
Common stock, $.01 par value, 10,000,000 shares authorized, 5,840,092 shares issued and outstanding	58,401
Additional paid-in capital	790,783
Retained earnings	109,646
Total Stockholders' Equity	958,830
Total Liabilities and Stockholders' Equity	$ 3,681,453

See independent accountants' review report.
The accompanying notes are an integral part of this statement.

CONAIR CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

Year Ended September 30,	**2017**
Contract and Service Revenue Earned	**$ 6,208,100**
Cost of Contract and Service Revenue Earned:	
Materials	**1,131,572**
Subcontractors	**1,721,264**
Direct labor	**1,106,423**
Payroll taxes, union benefits and insurance	**275,017**
Truck expenses and repairs	**231,985**
Other expenses	**54,328**
Total Cost of Contract and Service Revenue Earned	**4,520,589**
Gross Profit	**1,687,511**
Selling, General and Administrative Expenses - including interest expense of $2,779	**1,194,383**
Other Income:	
Rental income	**50,320**
Interest and other	**21,467**
Income Before Provision for Income Taxes	**564,915**
Provision (Credit) for Income Taxes:	
Current	**22,000**
Deferred	**(180,000)**
Total Provision (Credit) for Income Taxes	**(158,000)**
Net Income	**$ 722,915**
Income Per Share -	
Basic	**$ .124**
Weighted Average Number of Shares Outstanding -	
Basic	**5,840,092**

See independent accountants' review report.
The accompanying notes are an integral part of this statement.

CONAIR CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

Year Ended September 30, 2017

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (ACCUMULATED DEFICIT)	TOTAL
Balance - October 1, 2016	$ 58,401	$ 790,783	$ (613,269)	$ 235,915
Net Income	-	-	722,915	722,915
Balance - September 30, 2017	$ 58,401	$ 790,783	$ 109,646	$ 958,830

CONAIR CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

Year Ended September 30,	**2017**
Cash Flows from Operating Activities:	
Net income	**$ 722,915**
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	**15,513**
Bad debt expense	**17,643**
Settlement receivable	**400,000**
Deferred income taxes	**(180,000)**
(Increase) decrease in operating assets:	
Accounts receivable	**123,849**
Inventory	**2,400**
Costs and estimated earnings in excess of billings on uncompleted contracts	**143,903**
Prepaid expenses and other assets	**(54,700)**
Prepaid income taxes	**5,342**
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	**(248,556)**
Billings in excess of costs and estimated earnings on uncompleted contracts	**598,675**
Payroll and other taxes payable	**(30,873)**
Deferred service contract revenue	**(4,066)**
Net Cash Provided by Operating Activities	**1,512,045**
Cash Flows from Investing Activities:	
Purchase of marketable securities	**(1,200,000)**
Proceeds from sale of marketable securities	**100,000**
Net Cash Used in Investing Activities	**(1,100,000)**
Cash Flows from Financing Activities:	
Principal repayments of installment notes	**(8,509)**
Due from related party	**(7,500)**
Principal repayments of notes payable - stockholders	**(148,228)**
Net Cash Used in Financing Activities	**(164,237)**
Net Increase in Cash	**247,808**
Cash - beginning of year	**814,114**
Cash - end of year	**$ 1,061,922**
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	**$ 16,658**
Cash paid during the year for income taxes	**2,279**

See independent accountants' review report.
The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

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

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

Cash - At times, the Company maintains cash balances with a financial institution in an amount that exceeds the federal government's deposit insurance.

Accounts receivable - Trade accounts receivable are reported on the balance sheet at their outstanding principal balance net of an estimated allowance for doubtful accounts.

Sales terms usually provide for payment within 30 days of invoice date. An allowance for doubtful accounts is provided based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are charged against the allowance (written-off) when substantially all collection efforts cease. Recoveries of accounts receivable previously charged off are recorded when received. Bad debt expense for the year ended September 30, 2017 aggregated approximately $18,000.

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

Retainages included in accounts receivable are approximately $46,000.

Accounts receivable include approximately $197,000 in amounts outstanding over ninety days, net of an allowance for doubtful accounts of $45,000.

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

Property, plant and equipment - Depreciation is provided over the estimated useful lives of the depreciable assets which range from five to thirty-three years principally by application of the straight-line method.

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

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

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

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

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

Revenue and cost recognition - Revenue from construction contracts is recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. For the year ended September 30, 2017, revenue from construction contracts approximated $4,424,000.

Contract costs include all direct materials and labor costs and all other direct and indirect costs related to contract performance. Provisions for estimated losses on uncompleted contracts are made in the period in which the losses are determined. Changes in job performance, job conditions, estimated profitability and final contract settlements are recognized in the period in which the revisions are determined and may result in revisions to costs and income in the next year.

The asset, “Costs and estimated earnings in excess of billings on uncompleted contracts,” represents revenue recognized in excess of amounts billed. The liability, “Billings in excess of costs and estimated earnings on uncompleted contracts,” represents billings in excess of revenue recognized.

Service contract revenue, which excludes sales tax, is recognized on a straight-line basis over the contract period. Deferred service contract revenue represents billings in advance of the maintenance period.

Incremental direct costs resulting from the sale of such contracts are not material and are expensed currently. Additional revenue from the sale of parts and service primarily to customers under service contracts, which excludes sales tax, is recognized upon installation. For the year ended September 30, 2017, service contract and parts revenue approximated $1,784,000.

Fair value of financial instruments - FASB ASC 825, “Financial Instruments,” requires certain entities to disclose the fair value of certain financial instruments in their financial statements. The Company estimates that the fair value of its cash, accounts receivable, accounts payable and accrued expenses, payroll and other taxes payable, and installment notes, approximate their carrying amounts due to the short maturity of these instruments. It is not practical to estimate the fair value of the due to related party and note payable - stockholder because of the relationship between the Company and the related party/stockholder. See Note 3 concerning fair value of marketable securities.

Comprehensive income - FASB ASC 220, “Comprehensive Income,” established standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income includes net income and other comprehensive income. Comprehensive income is defined as the change in net assets of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The difference between the cost and fair value of the Company’s marketable securities at September 30, 2017 is insignificant. Accordingly, comprehensive income (loss) has not been reported.

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

Significant estimates used in preparing these financial statements include those assumed in computing profit percentages and percent complete under the percentage-of-completion revenue recognition method, and estimating valuation reserves on deferred tax assets. It is at least reasonably possible that the estimates used will change within the next year.

Subsequent events - The Company has evaluated events and transactions for potential recognition or disclosure through December 29, 2017, the date the financial statements were available to be issued.

2. Income Taxes

The provision for income taxes for the year ended September 30, 2017 consists of:

	Federal	State and Local	Total
Current	$ 11,000	$ 11,000	$ 22,000
Deferred	(160,000)	(20,000)	(180,000)
	$ (149,000)	$ (9,000)	$ (158,000)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate due to the following for the year ended September 30, 2017:

Income tax expense at federal statutory rate (34%)	$ 192,000
State and local taxes net of federal tax benefit	70,000
Permanent differences	23,000
Minimum taxes and other	57,000
Impact from loss of state and local NOL carryforwards	200,000
Change in valuation allowance	(700,000)
Provision for income taxes	$ (158,000)

The approximate tax effect of temporary differences and carryforwards is as follows:

Deferred tax assets:	
Allowance for doubtful accounts	$ 21,000
Federal net operating loss carryforwards	130,000
Property, plant and equipment	7,000
Other	22,000
Deferred tax assets	180,000
Deferred tax liabilities	-
Net deferred tax assets	$ 180,000

For the year ended September 30, 2017, the Company recorded a decrease in the valuation allowance of $700,000 on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

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

Federal net operating carryforwards of approximately $380,000 will expire beginning in 2031. In connection with the consolidated filing of the September 30, 2016 New York State and New York City tax returns and as a result of corporate tax reform enacted by New York State, the Company elected to utilize up to 50% of state and local net operating losses available as of October 1, 2015 (approximately $3,060,000) in each of the succeeding tax years (fiscal years ended September 30, 2016 and 2017) with any unused net operating loss carryforwards thereafter expiring. The Company utilized approximately $915,000 and anticipates utilizing approximately $160,000 of net operating losses for the tax years ended September 30, 2016 and 2017, respectively.

Tax years ended September 30, 2014 through 2017 remain subject to examination for federal, New York State and New York City purposes.

3. Marketable Securities

The Company accounts for its marketable securities in accordance with FASB ASC 320, "Investments - Debt and Equity Securities." The Company's marketable securities have been classified as securities available for sale and are reported at their approximate fair value. Fair value of municipal and corporate debt securities is based on quoted prices in markets that are not active or other inputs that are observable or are corroborated by observable market data (Level 2 of the fair value hierarchy established under FASB ASC 820, "Fair Value Measurement").

Municipal bond debt securities from the State of New York represent 100% of the total marketable securities as of September 30, 2017. The total cost of the municipal debt securities approximates their fair value as of September 30, 2017 and no unrealized holding gain or loss has been recognized.

The Company has classified its debt securities that mature after one year from the balance sheet date as non-current. The contractual maturities of the Company's debt securities as of September 30, 2017 are as follows:

Due after ten years but within fifteen years	$ 200,000
Due after fifteen years	900,000
	$ 1,100,000

During the year ended September 30, 2017, proceeds from the sales and maturities of investments classified as available for sale were approximately $200,000, with a cost or amortized cost of $200,000. Realized gains and losses are determined on the basis of sales price less original cost or amortized cost determined on a first-in, first-out basis. No realized gains or losses were recorded in the year ended September 30, 2017.

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

4. Notes Payable

Installment notes - The Company was obligated under several automobile loans secured by each of the respective vehicles, which loans were paid off during the year ended September 30, 2017.

Notes payable - stockholders - During 2011, the Company borrowed approximately $1,362,000 from its two principal stockholders/officers in order to fund the Company's settlement payment (Note 12). An unsecured note for approximately $650,000 bore interest at a rate of 1.95% per annum and the balance outstanding of approximately $52,000 was paid in full during the year ended September 30, 2017. An unsecured note for approximately $712,000 bears interest at a rate of 1.95% per annum and had an outstanding balance of approximately $24,000 as of September 30, 2017. As of September 30, 2017, the Company anticipates paying this note in weekly payments of principal and interest of $1,500, based upon available cash flows of the Company. Interest expense aggregated approximately $2,000 for the year ended September 30, 2017.

5. Due to Related Party

During the years ended September 30, 2015 and 2014, the Company borrowed an aggregate $125,000 from an entity related to its two principal stockholders/officers. The amounts borrowed do not call for interest. As of September 30, 2017, the amount outstanding was $117,500 and the Company anticipates repaying these advances in weekly payments of $1,500, based upon available cash flows of the Company, with $78,000 expected to be repaid in the year ending September 30, 2018 and $39,500 expected to be repaid in the year ending September 30, 2019.

6. Rentals Under Operating Lease

The Company is the lessor of commercial space under an operating lease that expires February 28, 2019. Rent income for the year ended September 30, 2017 was approximately $50,000.

Minimum future rentals to be received on this noncancelable lease as of September 30, 2017 are approximately as follows:

2018	$ 52,000
2019	22,000
	$ 74,000

7. 401(k) Plan

The Company has a 401(k) plan covering substantially all employees not covered by union sponsored plans. Contributions to the 401(k) plan are at the discretion of the Board of Directors. Contributions to the 401(k) plan for the year ended September 30, 2017 were approximately $10,000.

8. Pension and Welfare Benefits

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

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

The Company's participation in the plan for the year ended September 30, 2017, is outlined in the table below.

Pension Fund	EIN	Pension Protection Act Zone Status 2017	FIP/RP Status Pending/ Implemented	Contributions 2017	Surcharge Imposed	Collective Bargaining Agreement Exp. Date
001	13-2541630	Green	None	$ 66,000	No	6/30/20

Unless otherwise noted, the most recent Pension Protection Act zone status available in 2017 is for the plan's year-end at June 30, 2017. There have been no significant changes that affect the comparability of the 2017 and 2016 contributions. The Company's contributions to the plan for the year ended June 30, 2017 represent less than 5% of the total contributions to the plan.

Estimates used in determining funded status and plan contributions are based on numerous assumptions as well as asset values that continually change. The plan's certified zone status under the Pension Protection Act of 2006 was "Green" for the plan year ended June 30, 2017, based on the plan actuary's determination that the plan's funded ratio was over 80% at July 1, 2016. The plan has not sought or received an amortization extension under Section 304(d) of ERISA. The Company currently has no intention of withdrawing from the plan. However, should the Company decide to withdraw from the plan, the withdrawal liability could be significant. Accordingly, as circumstances evolve, amounts recorded in the financial statements relating to this plan could have a material adverse effect on the Company's financial condition and results of operations.

The Company also contributes to a multiemployer welfare plan for the benefit of current employees covered by the collective bargaining agreement. The welfare plan provides various benefits including, but not limited to, healthcare benefits to eligible current employees. There were no changes to the welfare plan that affected comparability of the Company's contributions from the prior year. Contributions to the plan for the year ended September 30, 2017 amounted to approximately $116,000.

9. Major Customers

Two customers accounted for approximately 31% of revenue for the year ended September 30, 2017.

As of September 30, 2017, five customers combined represented approximately 56% of the Company's net accounts receivable.

10. Surety Bonds

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

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

11. Costs and Estimated Earnings on Uncompleted Contracts

Costs and estimated earnings on uncompleted contracts as of September 30, 2017 are approximately as follows:

Costs incurred on uncompleted contracts	$ 5,453,000
Estimated earnings	1,132,000
	6,585,000
Less: Billings to date	7,381,000
	$ (796,000)

Included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	$ 40,000
Billings in excess of costs and estimated earnings on uncompleted contracts	(836,000)
	$ (796,000)

12. Litigation

In October 2014, the Company commenced action against a co-venture partner and its owners for full reimbursement of the co-venturer's share of a settlement payment made by the Company in 2011 (co-venturer's share approximated $1,400,000) on behalf of the joint venture partnership and its owners. In July 2015, in connection with the action, the co-venturer in an effort to negotiate a settlement with the Company, agreed to pay the Company approximately $25,000 per month beginning in July 2015. Payments ceased in December 2015 when the two parties could not reach an agreement as to the amount the co-venturer would reimburse the Company. In July 2016, as modified in October 2016, the Company reached a legal Stipulation and Order of Settlement ("settlement") with the co-venturer and its owners. The settlement called for the co-venturer to pay the Company an additional $537,500 for full settlement of amounts owed. The Company received $137,500 prior to September 30, 2016 and received the remaining $400,000 during the year ended September 30, 2017. Included in the September 30, 2016 financial statements was a settlement receivable of $400,000 and settlement income of $612,000.

In addition to the above, the Company, from time to time, is subject to routine claims and lawsuits in the ordinary course of business. In the opinion of management the ultimate disposition of these claims will not have a material adverse effect on the Company.

13. Subsequent Event

Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and the Company's effective tax rate in the future. On December 22, 2017, the Tax Cuts and Jobs Act (the "Act"), H.R. 1, was enacted which made significant changes to the tax laws, including reducing the corporate tax rate to a flat rate of 21% beginning in 2018. Because a change in tax law is accounted for in the period of enactment, the effects of the change on the deferred tax assets and liabilities, which may result in an estimated $60,000 reduction in the Company's deferred tax assets and an estimated $60,000 expense included in the tax provision, will be reflected in the year ending September 30, 2018 financial statements. An estimate of other financial effects of the Act cannot be made at this time including any state and local tax changes related to the federal tax revisions.