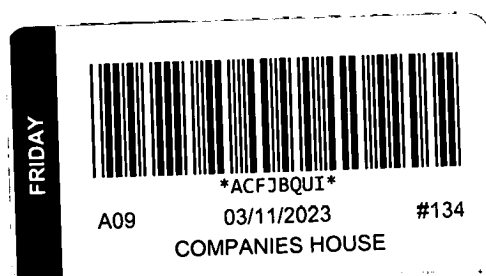


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**ROCHESTER ELECTRONICS, LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**



**ROCHESTER ELECTRONICS, LTD.**

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**OCTOBER 31, 2022 AND 2021**

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***Ryan & Coscia, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**  
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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To The Stockholders  
Rochester Electronics, Ltd.  
10 Malcolm Hoyt Drive  
Newburyport, MA 01950

We have reviewed the accompanying financial statements of Rochester Electronics, Ltd., which comprise consolidated balance sheets as of October 31, 2022 and 2021, and the related consolidated statements of income, retained earnings and cash flows for the years 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 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 the fair presentation of the 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 financial statements that are free from material misstatement whether due to fraud or error.

**Accountant's 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 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.

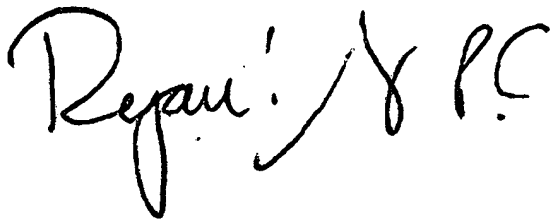
We are required to be independent of Rochester Electronics, Ltd. And to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**Basis for Qualified Conclusion**

As disclosed in Note 5 to these financial statements, effective January 1, 2022, accounting principles generally accepted in the United States require that most leases be capitalized on the balance sheet based on satisfying certain criteria, and that disclosures related to those leases be included in the financial statements. Management has informed us that it has not capitalized certain equipment and real estate leases, did not include the related lease disclosures in the accompanying financial statements, and the effects of this departure from accounting principles generally accepted in the United States on financial position, results of operations, and cash flows have not been determined.

**Qualified Conclusion**

Based on our review, except for the effect of the matter described in the Basis for Qualified Conclusion paragraph, we not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America

A handwritten signature in black ink, appearing to read "Ryan & Coscia, P.C.", with a stylized flourish at the end.

RYAN & COSCIA, P.C.  
June 12, 2023

**ROCHESTER ELECTRONICS, LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF OCTOBER 31,**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash	\$ 7,487,013	\$ 4,654,666
Accounts Receivable, Net	2,671,400	9,341,303
Other Current Assets	<u>1,093,896</u>	<u>1,467,175</u>
TOTAL CURRENT ASSETS	<u>11,252,309</u>	<u>15,463,144</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Furniture and Equipment	842,922	775,772
Leasehold Improvements	372,407	372,407
Less: Accumulated Depreciation	<u>( 578,619)</u>	<u>( 485,015)</u>
NET PROPERTY AND EQUIPMENT	<u>636,710</u>	<u>663,164</u>
<u>OTHER LONG-TERM INVESTMENTS</u>		
Organization Costs, Net	<u>0</u>	<u>0</u>
TOTAL OTHER LONG-TERM INVESTMENTS	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 11,889,019</u>	<u>\$ 16,126,308</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

<u>CURRENT LIABILITIES:</u>		
Accounts Payable - Trade	\$ 808,951	\$ 3,075,936
Accrued Expenses	2,314,618	6,071,096
Note Payable	<u>1,053,000</u>	<u>715,000</u>
TOTAL CURRENT LIABILITIES	<u>4,176,569</u>	<u>9,862,032</u>
<u>STOCKHOLDERS' EQUITY:</u>		
Common Stock 200,000 Shares Authorized, 4,000		
Issued and Outstanding	2,606	2,606
Retained Earnings	<u>7,709,844</u>	<u>6,261,670</u>
TOTAL STOCKHOLDERS' EQUITY	<u>7,712,450</u>	<u>6,264,276</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 11,889,019</u>	<u>\$ 16,126,308</u>

*Christopher J. Gerrish*

Financial Statements are approved by Christopher J. Gerrish,  
Director of Rochester Electronics, LTD  
July 14, 2023

**ROCHESTER ELECTRONICS, LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED OCTOBER 31,**

	<u>2022</u>	<u>2021</u>
<b>REVENUE:</b>		
Service Revenue	\$ 17,851,791	\$ 18,868,621
Product Revenue	<u>8,222,957</u>	<u>9,343,277</u>
TOTAL SALES REVENUE	26,074,748	28,211,898
COST OF GOODS SOLD	<u>8,222,958</u>	<u>9,343,134</u>
GROSS PROFIT	<u>17,851,790</u>	<u>18,868,764</u>
<b>OPERATING EXPENSES:</b>		
Salaries & Wages	9,493,799	11,607,105
Payroll Tax Expense	692,873	686,642
Accounting Services	365,649	249,071
Advertising	833,711	641,703
Bank Service Charges	45,394	22,222
Car Allowance	30,957	23,330
Consulting	565,464	466,014
Depreciation	93,604	86,488
Dues & Subscriptions	25,502	17,059
Employee Benefits	1,219,749	1,152,958
Employee Recruitment	69,024	61,371
Entertainment	62,589	21,084
Insurance	100,619	56,447
Miscellaneous Expense	3,096	2,535
Office Expense	122,164	109,235
Postage	7,966	4,197
Professional Fees	321,503	287,460
Rent	1,023,057	842,869
Repairs & Maintenance	50,024	57,793
Selling Expense	9,987	4,772
Taxes – Real Estate	38,457	50,240
Telephone	119,672	100,044
Travel	268,123	115,357
Utilities	<u>10,744</u>	<u>13,630</u>
TOTAL OPERATING EXPENSES	<u>15,573,727</u>	<u>16,679,626</u>
INCOME FROM OPERATIONS	<u>2,278,063</u>	<u>2,189,138</u>
<b>OTHER INCOME (LOSS):</b>		
Interest Income	13,272	6,914
Interest Expense	( 12,841)	( 10,871)
Gain (Loss) on Foreign Currency Exchange	( 99,866)	( 43,896)
Other Income	<u>3,711</u>	<u>88,442</u>
TOTAL OTHER INCOME (LOSS)	<u>( 95,724)</u>	<u>40,589</u>
<b>INCOME TAX EXPENSE:</b>		
Corporate Income Tax – Massachusetts	174,080	57,700
Corporate Income Tax – United Kingdom	80,633	124,980
Corporate Income Tax – China	280,652	197,105
Corporate Income Tax – France	58,162	25,012
Corporate Income Tax – Germany	11,710	155,952
Corporate Income Tax – Japan	87,842	80,718
Corporate Income Tax – Singapore	26,634	72,815
Corporate Income Tax – Poland	1,789	0
Corporate Income Tax – Sweden	<u>12,663</u>	<u>0</u>
TOTAL INCOME TAX EXPENSE	<u>734,165</u>	<u>714,282</u>
NET INCOME	<u>\$ 1,448,174</u>	<u>\$ 1,515,445</u>

*See independent accountant's review report & notes to the consolidated financial statements*

**Ryan & Coscia, P.C.**

**ROCHESTER ELECTRONICS, LTD.**  
**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**  
**FOR THE YEARS ENDED OCTOBER 31,**

	<u>2022</u>	<u>2021</u>
BEGINNING RETAINED EARNINGS	\$ 6,261,670	\$ 4,746,225
NET INCOME	1,448,174	1,515,445
DIVIDEND DISTRIBUTIONS	0	0
CURRENCY EXCHANGE ADJUSTMENT	<u>0</u>	<u>0</u>
ENDING RETAINED EARNINGS	<u>\$ 7,709,844</u>	<u>\$ 6,261,670</u>

**ROCHESTER ELECTRONICS, LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED OCTOBER 31,**

	<u>2022</u>	<u>2021</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Net Income	\$ 1,448,174	\$ 1,515,445
Adjustment to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation & Amortization	93,604	86,488
(Gain) Loss on Disposal of Fixed Assets	0	0
Changes in Operating Assets & Liabilities:		
(Increase) Decrease in Accounts Receivable	6,669,903	( 6,965,147)
(Increase) Decrease in Other Current Assets	373,279	( 582,419)
Increase (Decrease) in Accounts Payable	( 2,266,985)	2,598,970
Increase (Decrease) in Accrued Expenses	( 3,756,478)	5,147,680
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,561,497</u>	<u>1,801,017</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of Fixed Assets	( 67,150)	( 113,707)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>( 67,150)</u>	<u>( 113,707)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from Issuance of Long-Term Debt	338,000	715,000
Principal Payments on Long-Term Debt	0	( 397,965)
Gain (Loss) Currency Exchange Adjustment	0	0
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>338,000</u>	<u>317,035</u>
<b>INCREASE (DECREASE) IN CASH</b>	<u>2,832,347</u>	<u>2,004,345</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>4,654,666</u>	<u>2,650,321</u>
<b>CASH, END OF YEAR</b>	<u>\$ 7,487,013</u>	<u>\$ 4,654,666</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION**

<b><u>Cash Paid For:</u></b>		
Income Taxes	\$ 651,087	\$ 381,826

*See independent accountant's review report & notes to the consolidated financial statements*

**Ryan & Coscia, P.C.**

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**ROCHESTER ELECTRONICS, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operation** - Rochester Electronics, Ltd., of Newburyport, Massachusetts was organized on February 1, 1995. The Company acts as a manufacturer's marketing representative and maintains offices in China, the United Kingdom, Germany, Singapore, Canada, France, Japan, Poland, Sweden and Mexico. In 2015 the Corporation established a Singapore legal corporate entity, Rochester Electronics, PTE, LTD. The Germany branch ceased operations in 2015, all activity was transferred to a Germany legal corporate entity, Rochester Electronics, GmbH. In 2022, the Corporation established a Mexico legal corporate entity, Rochester Electronics Mexico, LTD. The offices are all branch offices, with the exception of the three legal entities.

**Accounts Receivable** - At October 31, 2022 and 2021, the allowance for doubtful accounts was \$0.

**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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Fixed Assets** - All fixed assets are stated at cost. Depreciation is calculated over the estimated service lives using straight line and accelerated methods. Expenditures for major renewals and betterments are capitalized, while expenditures for repairs and maintenance are expensed in the period incurred.

**Fair Value** - The Company reports its qualifying assets and liabilities in accordance with the Fair Value Measurements and Disclosures Standards under U.S. GAAP. These standards define fair value, establish a framework for measuring fair value, and expand disclosures about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

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

**Level 1** - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

**Level 2** - Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly; including inputs in markets that are not considered active.

**Level 3** - Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Corporation's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

**Revenue Recognition** - The Company adopted FASB ASC 606, Revenue from Contracts with Customers, which amended the existing accounting standards for revenue recognition. The adoption of this new revenue standard does not have a significant impact on the amount and timing of revenue recognized in the Company's financial statements. Based on the Company's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

**ROCHESTER ELECTRONICS, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)**  
**OCTOBER 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

Service Revenue is recognized on the basis of reimbursable costs incurred during the period plus a 12.5% service fee. Revenues and expenses are recorded in U.S. dollars using the exchange rate at the time of the transaction.

Product Revenue is reported at net realized amounts to be received from customer for product purchased and recorded at the time of purchase.

**Cash Equivalents** – The Company defines its cash and cash equivalents to include only cash on hand, demand deposits and investments with original maturities of three months or less, with essentially no market risk.

**Advertising** - The Corporation expenses advertising costs as they are incurred. The expense for the years ending October 31, 2022 and 2021 were \$833,711 and \$641,703, respectively.

**Subsequent Events** - Management has evaluated subsequent events through June 12, 2023, the date the financial statements were available to be issued.

**Foreign Currency Transactions** - All transactions are accounted for in U.S. dollars. Foreign currency exchange gains or losses are recorded on the effect of differences in exchange rates between the recording of and the subsequent collection or payment of various assets and liabilities.

The average exchange rates used for October 31 are as follows:

	<u>2022</u>	<u>2021</u>
United Kingdom Pound	\$ 1.25	\$ 1.35
China Yuan Renminbi	\$ .145	\$ .145
Euros (France and Germany)	\$ 1.10	\$ 1.10
Japan Yen	\$ .009	\$ .009
Singapore Dollar	\$ .734	\$ .734
Canada Dollar	\$ .760	\$ .760
Poland Zloty	\$ .250	\$ .250
Sweden Krona	\$ .1145	\$ .1145
Mexico Peso	\$ .050	\$ .000

**ROCHESTER ELECTRONICS, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)**  
**OCTOBER 31, 2022 AND 2021**

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK**

**Major Customer** - The Company received 100% of its revenues from an affiliated Corporation.

**Cash Balances at a Single Financial Institution** – The Company maintains cash balances in financial institutions located in the United Kingdom, China, Germany, Singapore, Japan, Canada, United States, France and Poland. The UK Financial Services Compensation Scheme (FSCS) insures Bank Accounts up to the first 85,000£ in 2022 and 2021. The cash accounts exceeded the limits for October 31, 2022 and 2021 by 2,080,960£ (2,601,200 USD) and 765,744£ (1,033,754 USD), respectively. The Company monitors its balances and its banking relationships regularly to minimize any risk.

Cash balances on October 31 in U.S. Dollars were:

	<u>2022</u>	<u>2021</u>
United Kingdom	\$ 2,707,448	\$ 1,148,504
China	299,265	13,807
Germany – USD Account	644,949	1,928,628
Germany - EURO Account	1,042,226	239,314
Japan	769,462	457,395
United States	47,958	22,143
Singapore – USD Account	413,938	26
Singapore Dollar	224,208	321,563
France	958,988	379,727
Canada	331,379	143,559
Poland	47,192	0
	<u>\$ 7,487,013</u>	<u>\$ 4,654,666</u>

**NOTE 3 - OTHER CURRENT ASSETS**

Other Current Assets at October 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Prepaid Insurance	\$ 32,893	\$ 39,370
Prepaid Miscellaneous	100,587	119,643
Prepaid Travel	50,219	15,046
Security Deposit	380,192	370,769
VAT Reclaimable	422,505	859,847
IRC Section 444 Deposits	107,500	62,500
	<u>\$ 1,093,896</u>	<u>\$ 1,467,175</u>

*See independent accountant's review report*

**Ryan & Coscia, P.C.**

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**ROCHESTER ELECTRONICS, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)**  
**OCTOBER 31, 2022 AND 2021**

**NOTE 4 - ACCRUED EXPENSES**

Accrued Expenses at October 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Foreign Tax	\$ 395,360	\$ 524,767
Mass Corporate Tax	90,580	0
Miscellaneous	894,431	1,927,800
Payroll	<u>934,247</u>	<u>3,618,529</u>
	<u>\$ 2,314,618</u>	<u>\$ 6,071,096</u>

**NOTE 5 – LEASES**

Effective January 1, 2022, accounting principles generally accepted in the United States of America require companies to adopt new lease standards promulgated by Accounting Standards Update (ASU) 2016-02, Leases (ASC Topic 842), and subsequent amendments. In accordance with ASU 2016-02, an entity is required to capitalize lease assets and lease obligations on its balance sheet for all equipment and real estate leases with a remaining lease term that exceeds 12 months, and to provide certain disclosures related to those leases. Management has informed us that it has not capitalized lease assets and obligations related to its equipment and real estate leases, and has not included most of the required lease disclosures. Instead, the Company's policy is to record lease payments as rent expense as incurred. The effects of this departure from accounting principles generally accepted in the United States on the Company's financial position, results of operations, and cash flows have not been determined.

The Corporation entered into a lease agreement in the United Kingdom commencing January 1, 2012 for a term of ten years and six months. The first six months was rent-free. The base annual rent payments commenced on June 30, 2012 is for the first five years. The annual rent is payable in advance in four equal quarterly payments of \$20,925. The lease had an escalation clause of 2.5% compounded per annum. The agreed annual rent after five years was approximately \$95,063 and was further increase to \$107,143 at the end of the tenth year. The lease expired June 30, 2022. The corporation renewed the lease for an additional ten years commencing August 3, 2022 and expiring on August 2, 2032. The annual rent is payable in advance in four equal quarterly payments of \$23,750 and will be reviewed and adjusted after five years.

The Corporation entered into a three-year lease agreement in Shanghai, China commencing June 16, 2016 and expiring on June 15, 2019. The lease was renewed for an additional three-year term expiring June 15, 2022 and renewed again for an additional three-year term expiring on June 15, 2025. The base monthly rent is approximately \$11,473, payable in advance.

The Corporation entered into a three-year lease agreement in Shenzhen, China commencing August 1, 2020 and expiring on July 31, 2023. The base monthly rent is \$2,194. The lease is renewable.

The Corporation entered into a three-year lease agreement in Chengdu, China commencing February 1, 2020 and expiring on January 31, 2023. The base monthly rent is \$1,639 for the first two years and increases to \$1,758 in the third year. The lease was renewed for an additional three-year term, expiring January 31, 2026. The base monthly rent is \$1,773.

*See independent accountant's review report*

**Ryan & Coscia, P.C.**

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**ROCHESTER ELECTRONICS, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)**  
**OCTOBER 31, 2022 AND 2021**

**NOTE 5 - LEASES (CONT.)**

The Corporation entered into a two-year lease agreement in Beijing, China commencing May 1, 2021 and expiring on April 30, 2023. The base monthly rent is \$4,260, payable in advance. The lease was renewed for an additional two-year term, expiring April 30, 2025.

The Corporation leased offices in Munich, Germany under an at will lease. The right to terminate the contract is available to the Lessor and Lessee with a ten-week notice. The lease was terminated in January, 2019. On November 1, 2018, the Corporation entered into a five-year lease agreement in Munich, Germany. The base monthly rent is approximately \$10,995 payable in advance. The first four months were rent free. The lease expires on October 31, 2023 and is renewable for an additional five-year term.

On September 1, 2018, the Corporation entered into a two-year lease agreement in Tokyo, Japan. The base monthly rent was approximately \$17,048, payable in advance. The lease expired on August 31, 2020 and was not renewed. The Corporation entered into a three-year lease agreement commencing September 1, 2020 and expiring on August 31, 2023. The base monthly rent is approximately \$19,114. The lease was renewed for an additional three-year term, expiring August 31, 2026. The base monthly rent is \$19,750.

The Corporation entered into a one-year lease agreement in Osaka, Japan commencing June 1, 2021 and expiring on May 31, 2022. The base monthly rent is \$2,931. The lease was renewed for an additional one-year term, expiring May 31, 2023. The base monthly rent is \$3,077. The lease was renewed for an additional two-year term, expiring May 31, 2025. The base monthly rent is \$3,293.

The Corporation entered into a three-year lease agreement in Singapore commencing September 1, 2015. The lease expired August 31, 2018 and was renewed for an additional two-year term expiring on August 31, 2020. The lease was renewed for an additional three-year term ending August 31, 2023. The monthly base rent is \$4,635.

The Corporation entered into a three-year lease agreement in Singapore commencing January 1, 2018 for additional office space. The base monthly rent is approximately \$1,854 payable in advance. The lease expired on December 31, 2020 and was renewed for an additional one-year term expiring December 31, 2021. The lease was renewed again for an additional one-year term expiring on December 31, 2022. The lease was not renewed.

The Corporation entered into a three-year lease agreement in Toulouse, France commencing July 1, 2021 and expiring on June 30, 2024. The base monthly rent is \$3,127.

The Corporation entered into a three-year lease agreement in Warsaw, Poland commencing October 1, 2021 and expiring September 30, 2024. The base monthly rent is \$2,902.

The Corporation entered into a one-year lease agreement in Kassel, Germany commencing March 1, 2022. The lease was extended through September 30, 2023. The base monthly rent is \$1,485. The lease has been renewed for one-year commencing October 1, 2023. The base monthly rent is \$1,430.

The Corporation entered into a five-year lease in Guadalajara, Mexico commencing June 1, 2022 and expiring May 31, 2027. The base monthly rent is \$1,960.

**ROCHESTER ELECTRONICS, LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT.)**  
**OCTOBER 31, 2022 AND 2021**

**NOTE 5 - LEASES (CONT.)**

The future minimum commitments under these leases are:

Year Ending October 31:

2023	\$	877,680
2024		666,411
2025		500,087
2026		309,967
2027		26,787
	\$	<u>2,380,932</u>

**NOTE 6 - UNCERTAINTY IN INCOME TAXES**

The Company has adopted the provisions of the Accounting for Uncertainty in Income Taxes topic under generally accepted accounting principles in the United States of America. This guidance addresses the accounting uncertainty in income taxes recognized in Company's financial statements and prescribes a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties and disclosures. As a result of the implementation of this guidance, the Company has determined that it has no uncertain tax positions requiring accrual and disclosure. The adoption of these standards had no financial statement effect on the Company. The Company files tax returns for United States Federal and Massachusetts reporting purposes. The Company is not under audit in any jurisdiction for any period and its tax returns are current. Generally, tax years are open for Internal Revenue Service audit for up to three years.

**NOTE 7 - INCOME TAXES**

**Income Taxes** - Effective February 1, 1995, the Corporation elected to be treated as a Subchapter "S" Corporation. The Corporation is not subject to United States Federal or State Corporate Income Taxes; however, they are subject to State Excise Taxes. The Company is subject to branch taxes in the United Kingdom, China, Japan, Germany, France, Poland and Sweden, and corporate income taxes in Germany (GmbH), Singapore (PTE. LTD), and Mexico (LTD).

During the year ending October 31, 2022 the Company, under the Massachusetts elective pass-through excise, elected to pay a Pass-Through Entity Excise Tax for its stockholders in the amount of \$93,000. Such payment is to be allowed as a credit on the individual income tax returns of the stockholders' for State purposes. In accordance with IRS Notice 2020-75 the payment will be allowed as a tax deduction on the stockholders' "S" Corporation Federal Return.

The management of the Company under ASC 740 have elected to present the Pass-Through Excise tax payment as an income tax. The payments are included as part of Taxes on Income on the Statements of Income and Retained Earnings for the year ending October 31, 2022 and all future years.