To the shareholders Of Concierge Technology Inc.:

The fiscal year ending in June 2015 was a time of great change. Barely one month into the new fiscal year, Allen Kahn died. At the time he was the firm's CFO but he was much more. He founded Concierge Inc. in 1996 and instigated a going-public transaction in 2002. He set the tone and vision of the firm. To say the absence of his passion and drive was noticed is an understatement. I never knew the man but after listening to those who did talk about his character and life, I am sad we never had the chance to become friends.

David Neibert took over the CEO role during Allan's sickness and ran Concierge well. At this time the firm was in essence a holdings company with one operating division, Janus Cam. It was also at this time that the company's board started looking for additional capital, for a firm to buy the company, or for an established company to buy. I first introduced myself to David about this time–this would have been in October and November of 2015. I proposed infusing a large amount of capital into Concierge, becoming the new CEO of the company myself, and giving the company a new direction. I envisioned Concierge not as a limited or partial conglomerate but as a real conglomerate.

Hats off to David Neibert, Matt Gonzalez, Samuel Wu and Hansu Kim for taking a hard look at their situation and coming up with a creative solution. Not many Boards would willingly accept such a large change in control or a new and relatively unknown CEO. While in negotiation with Concierge and learning more about the individuals involved, I became convinced that the basic infrastructure in place was sound and good—so much so that now that I'm CEO we've made only minimal changes to the company. We still have two of the company's former directors, the same law firm, the same accounting firm and the same bank. David also agreed to stay on in the role of CFO helping to insure continuity and institutional memory.

What has changed is our identity and general direction of Concierge. We have been given an immense and unique opportunity to recreate our self. The capital infusion Scott Schoenberg and I completed in January 2015 helped clean up Concierges balance sheet and left it with over $2.5 million in cash—giving us, an immense opportunity, a blank slate.

Usually, firms begin with a product or service to sell for money which they then use to make and sell more of the same product or service. We are reversing this order, beginning with cash, looking for situations in which to make money by creating goods and services to sell, and ending up with more cash that will in turn enable us to look for new opportunities. If Ford makes cars, Kellogg's makes cereal, and Apple makes cool electronic devices. I want Concierge to make money. I am agnostic about which industries we end up in (although I understand & like financial services best). First the opportunity, *then* the goods and services.

The conglomerate model has of course been out of fashion on Wall Street and discredited by academics for years. It has been out of fashion on Wall Street because once it was terribly in fashion. During the late 1960's and early 1970's conglomerates and 'one-decision' stocks defined the Nifty Fifty era. These firms had astronomic valuations which equaled or exceeded those seen during the dot-com boom of 1997-2000 or even today's private billion dollar unicorns. Every time valuations get to those soaring, unrealistic levels, like Icarus they will inevitably come down. The Nifty Fifty era ended in 1973-1974, the time of the first oil crisis. As stock market indexes fell by 45% or more, conglomerates like LTV, ITT, Textron, Teledyne and Gulf+Western, which had once dominated the market, quickly became discredited

Academics then came up with a lot of reasons why conglomerates were never good for investors in the first place. They boil down to three main arguments: transaction costs, agency costs, and a lack of transparency.

Transaction costs

It is easier and cheaper, this argument holds, for an investor to buy stock in a few publicly traded firms than it is for one company to buy whole firms. If you wanted to buy firms involved in concrete, airlines and vacation time shares, all you would have to do is call your broker or go online. For $14.99 per trade, you could buy shares in three firms in a minute or less. If, by contrast, a company wanted to buy three firms in those same industries, it would have to find them, persuade them to sell (perhaps at a premium price), and then employ lawyers, brokers and valuation experts to help close the transactions. The transactions would take months, and the legal and other fees could and easily come to 5% or more of the costs of the companies themselves.

Agency costs

These are the expenses born by a firm for operating on your behalf. A shareholder-friendly firm makes sure that they are minimal. A non-shareholder- (owner) friendly firm will have large central staffs and overhead, build extravagant headquarters, and treat your money as their own. Since conglomerates by definition have many subsidiaries, the opportunity and ability to hide extra costs as a part of normal operating expenses can present themselves much more easily than they would in a business only operating in one industry.

Transparency

This Annual Report is our chance to tell you how we did in the latest fiscal year. We hope we are making it easy for you to understand the businesses we are in, how they did and what we would like to do with Concierge in the future. If, after reading this Annual Report, you have more questions than you began with or find yourself scratching your head about how we try to make money, then we are not making your life easy, clear or transparent. Any company can purposely muddy things up or try and paint a pretty picture different from actuality. Conglomerates can do so more easily than businesses only operating in one industry for a couple of reasons. One is that conglomerates by their very nature tend toward a certain degree of complexity. The other concerns professional analysts. Usually organized along industry lines, Wall Street analysts find conglomerates harder to understand. For both these reasons, the argument holds, the market tends to value conglomerates cautiously, which in turn tends to hold down their share prices.

High transaction costs combined with high agency costs and potentially lower valuations due to transparency issues—all these can create what is called the conglomerate discount. It is the lower price difference one conglomerate would have versus if the same conglomerate was broken up into its component parts with each part trading independently in the market.

With all these horrible historical memories and reasons why conglomerates are no good, why would any investor in his right mind buy stock in a conglomerate at all? And the answer, for the most part, is they do not and should not. Despite all this, we are still convinced that Concierge should indeed be a conglomerate. Why? For two reasons: capital allocation and the owners' perspective.

<u>Capital allocation</u>

A company in only one single business has few choices regarding the placement of its profits. It can reinvest the profits back into the business, buy back shares or pay them out as dividends. As a conglomerate, Concierge, on the other hand, can do more. We can reinvest profits back into the business that generated the profits or into another subsidiary that may make better use of the profits. We can also invest the profits into other public or private firms as well buy back shares or pay them out as a dividend. A conglomerate, in short, has more options when it comes to capital allocation. Now, whether or not those allocations bear fruit depends on the skill of management. That only time will tell.

<u>The owners' perspective</u>.

We have talked about how conglomerates don't make a lot of sense from an investors' perspective, but from the owners' perspective they do. An "owner," in this case, would be an individual or small group of people who own and run their own privately held firm. At some point and for many reasons (mostly health, retirement or succession issues) they will need a change in ownership. When they do, they can close the business or sell it. Selling a firm can be done in a few ways, such as selling to employees through an ESOP, selling it to the next generation (assuming they want or can afford it), selling to a competitor, selling to a private equity group, or selling it to the public. None of these choices may be optimum. None may allow the original owners to continue running the firm they created while protecting the firm's corporate culture. But there is one kind of sale that would enable the original owners to do just that: selling to a public conglomerate such as Concierge.

Combine these two compelling factors, capital allocation and the owner's perspective, with our new goal of making money instead of products, and you have, again, a unique opportunity for Concierge.

Once we took this new direction, our first step was simple. We asked if we were even in the right business to begin with. As I mentioned above, when Scott and I came on board, Concierge was in essence a conglomerate with one subsidiary- Janus Cam. The primary business of Janus Cam was importing and selling digital cameras to taxi companies. The cameras point forward and rear and record any accidents or altercations. Were unfortunate incidents to take place, the cameras would enable police and insurers to identify the party at fault, reducing liability costs. Clearly, there is demand by firms to spend $500 on cameras to save $5,000 or more on disputes.

However, just because there is demand does not make this a good business. There are many other firms manufacturing or importing the same type of cameras, both for commercial and personal retail markets (think GoPro) with new ones starting all the time. All this competition is lowering prices and increasing the investment required to keep up technologically with the competition. From the consumers' perspective, those are good outcomes. From the perspective of a company such as ours, they're terrible. Rather than wait for the inevitable thinner margins and shakeout that will occur here, we decided to exit the business. And so we sold Janus Cam back to its own management in exchange for shares of Concierge which they owned. Now part of our Treasury stock, as of June 30, 2015.

If our first step was to get out of a bad business, our second was to begin looking for good businesses. Our criteria: We want to invest in businesses we understand, that have been around a long time, that are profitable, and that we can buy at attractive prices. We have found one that meets these criteria: Gourmet Foods Ltd, a New Zealand (meat) pie manufacturer, trading as Ponsonby Pies Limited (www.ponsonbypies.co.nz/) which we bought on August 12st for about NZ$2.55 million. Ponsonby Pies and its sister brands have been in existence since 1966. They are well known in New Zealand for selling a delicious quality product. And they're profitable. We believe we bought them at an attractive price. Time will tell if we're right. Note that, to avoid diluting your shares, we paid for Gourmet Foods Ltd in cash.

Step three?

To grow our existing businesses–and then repeat step two, looking for more firms to buy.

If you know of any that might meet our criteria, please email me.

- Nicholas Gerber, CEO
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