LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
Cincinnati, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
February 28, 2023 and 2022

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Shareholders and the Board of Directors
of Luminex Home Décor & Fragrance Holding Corporation
Cincinnati, Ohio

Opinion

We have audited the consolidated financial statements of Luminex Home Décor & Fragrance Holding Corporation, which comprise the consolidated balance sheets as of February 28, 2023 and 2022, and the related consolidated statements of comprehensive income (loss), equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Luminex Home Décor & Fragrance Holding Corporation as of February 28, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Luminex Home Décor & Fragrance Holding Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, the entity has elected to change its method of accounting for inventories from last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method effective March 1, 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 7 to the consolidated financial statements, effective March 1, 2022, the entity adopted new accounting guidance under ASC 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

(Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Luminex Home Décor & Fragrance Holding Corporation's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Luminex Home Décor & Fragrance Holding Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Luminex Home Décor & Fragrance Holding Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Franklin, Tennessee
August 31, 2023

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS
February 28, 2023 and 2022
(in thousands)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,681	$ 4,744
Accounts receivable, net of allowance for doubtful accounts of $262 and $388, at February 28, 2023 and February 28, 2022, respectively	13,707	15,684
Inventories, net (Note 3)	54,463	86,090
Prepaid expenses and other current assets	7,903	9,858
Total current assets	80,754	116,376
Property, plant and equipment, net (Note 4)	26,242	31,593
Right of use assets, operating leases net (Note 7)	19,209	-
Right of use assets, finance leases net (Note 7)	960	-
Intangible assets, net (Note 5)	4,389	5,065
Deferred income tax asset (Note 9)	8,855	1,965
Other assets	3,928	4,315
Total assets	$ 144,337	$ 159,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion long-term debt (Note 6)	$ 136	$ 941
Current operating lease liability (Note 7)	2,065	-
Current finance lease liability (Note 7)	325	-
Accounts payable – trade	33,983	34,957
Accounts payable with company under common control	127	538
Accrued payroll	1,120	241
Current financing obligation (Note 8)	3,417	-
Sales allowance accrued expenses	1,804	889
Deferred revenue	2,168	1,615
Other accrued expenses	16,623	20,676
Total current liabilities	61,768	59,857
Long-term debt, net (Note 6)	24,192	68,222
Non-current operating lease (Note 7)	17,251	-
Non-current finance lease (Note 7)	343	-
Non-current financing obligation (Note 8)	36,724	-
Deferred income tax liability (Note 9)	9,187	1,156
Other long-term liabilities	3,320	9,268
Total liabilities	152,785	138,503
Shareholders' equity (deficit)		
Common stock, par value $.001 per share, 50,000 issued and outstanding	-	-
Series A preferred stock, par value $.001 per share, 10,000 issued and outstanding ($1 per share liquidation value)	-	-
Additional paid-in capital	107,585	107,585
Accumulated deficit	(134,414)	(105,640)
Accumulated other comprehensive income:		
Foreign currency translation	18,381	18,866
Total shareholders' equity (deficit)	(8,448)	20,811
Total liabilities and shareholders' equity (deficit)	$ 144,337	$ 159,314

See accompanying notes to consolidated financial statements.

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended February 28, 2023 and 2022
(in thousands)

	2023	2022
Net sales	$ 234,249	$ 308,718
Cost of goods sold	178,834	209,955
Gross profit	55,415	98,763
Operating expenses		
Direct marketing expense	31,743	41,446
Selling and marketing	11,182	13,471
General and administration	34,675	37,024
Management fees	500	502
	78,100	92,443
Income (loss) from operations before other income (expense)	(22,685)	6,320
Other income (expense)		
Interest expense	(8,786)	(5,650)
Foreign exchange gain (loss)	(162)	(1,057)
Other income (expense), net	(186)	112
	(9,134)	(6,595)
Loss before income tax expense	(31,819)	(275)
Income tax expense	904	1,687
Net loss	(32,723)	(1,962)
Other comprehensive income (loss)		
Foreign currency translation adjustment	(485)	362
	(485)	362
Comprehensive loss	$ (33,208)	$ (1,600)

See accompanying notes to consolidated financial statements.

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)
For the years ended February 28, 2023 and 2022
(in thousands)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, February 28, 2021	$ -	$ -	$ 107,585	$ (103,678)	$ 18,504	$ 22,411
Foreign currency translation	-	-	-	-	362	362
Net loss	-	-	-	(1,962)	-	(1,962)
Balance, February 28, 2022	-	-	107,585	(105,640)	18,866	20,811
ASC 842 Implementation	-	-	-	3,949	-	3,949
Foreign currency translation	-	-	-	-	(485)	(485)
Net loss	-	-	-	(32,723)	-	(32,723)
Balance, February 28, 2023	$ -	$ -	$ 107,585	$ (134,414)	$ 18,381	$ (8,448)

See accompanying notes to consolidated financial statements.

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
STATEMENTS OF CONSOLIDATED CASH FLOWS
For the years ended February 28, 2023 and 2022
(in thousands)

	2023	2022
Cash flows from operating activities		
Net loss	$ (32,723)	$ (1,962)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and intangible and other asset amortization	7,112	7,045
Provision for doubtful accounts	(126)	(308)
(Gain) loss on sale of property, plant and equipment	(10)	14
Amortization of deferred gain on sale-leaseback	-	(409)
Amortization of deferred financing fees	1,425	722
Deferred income taxes	938	327
Increase (decrease) in cash from changes in operating assets and liabilities:		
Accounts receivable	2,023	4,665
Inventories	30,798	(11,611)
Prepaid expenses and other assets	2,885	1,130
Accounts payable	(1,200)	2,715
Accrued expenses and other liabilities	(2,554)	(11,475)
Net cash provided by (used in) operating activities	8,568	(9,147)
Cash flows from investing activities		
Purchase of machinery and equipment	(2,112)	(3,370)
Net cash (used in) investing activities	(2,112)	(3,370)
Cash flows from financing activities		
Net (payments) proceeds on line of credit	(12,515)	17,054
Issuance of financing obligation	40,144	-
Principal payments on financing lease obligations	(290)	(1,114)
Principal payments on long-term debt	(32,354)	(3,499)
Loan issuance costs	(1,334)	(629)
Net cash (used in) provided by financing activities	(6,349)	11,812
Net change in cash	107	(705)
Effect of exchange rate changes on cash	(170)	(282)
Cash at beginning of the period	4,744	5,731
Cash at end of the period	$ 4,681	$ 4,744
Supplemental disclosures of cash flow information:		
Cash paid during the year:		
Interest	$ 8,734	$ 6,133
Income taxes	390	518
Non-cash activity		
New operating leases	167	-

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND BASIS OF FINANCIAL STATEMENT PRESENTATION

Basis of Presentation: On May 17, 2016, CLP Candle Holdings, LLC together with its subsidiaries (the Candle-lite Companies) acquired CB Shine Holdings LLC together with its subsidiaries (the PartyLite Companies) and combined the entities to form Luminex Home Décor & Fragrance, LLC, a wholly owned subsidiary of Luminex Home Decor & Fragrance Holding Corporation.

Luminex Home Decor & Fragrance Holding Corporation (the "Company"), a Delaware company, was incorporated on May 12, 2016 and has a 100% ownership in PartyLite Inc., a Delaware company, and Candle-lite Company, LLC (formerly known as CL Products International, LLC) an Illinois registered limited liability company. PartyLite Inc., and all of its subsidiaries, and Candle-lite Company LLC, and all of its subsidiaries are consolidated and presented under Luminex Home Decor & Fragrance Holding Corporation.

Description of Business: The Company is a leading designer, manufacturer, and distributor in its industry. The Company organizes its business into the following two business units: Candle-lite and PartyLite. Candle-lite is a leading provider of wax candle products to the retail sector, with particular expertise in the food, drug, and mass channels. PartyLite is a leading home fragrance brand in the direct selling and direct-to-consumer channels.

The Company offers a comprehensive product offering, including wax jar-filled candles, tealights, melts, and complementary home décor accessories. The Company is well-positioned within an attractive category by providing consumers with high-quality home décor and fragrance products in a wide range of price points and delivering unique value proposition for both end-consumers and retail partners.

Series A Preferred Stock: One share of the Company's preferred stock has a liquidation value of $1. Each share of preferred stock is entitled to a cumulative dividend, whether or not declared, at the rate of four percent per annum on the sum of the liquidation value plus all unpaid accrued and accumulated dividends. All accrued and accumulated dividends on the preferred stocks shall be fully declared and paid before any dividends are declared and paid on the common stock. The preferred stock has no voting rights.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements for the years ended February 28, 2023 and February 28, 2022 represent the consolidated financial position and results of operations of Luminex Home Decor & Fragrance Holding Corporation and its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated.

Concentration of Credit Risk: The Company maintains deposit accounts at various financial institutions. The institutions provide FDIC coverage of $250 thousand per depositor. At various times, these deposits may be in excess of the FDIC insurance limit. The Company also maintains bank deposit accounts at its foreign subsidiaries, which are denominated in local currencies, at various financial institutions to meet local sales, operations and marketing activities in foreign countries. The Company has approximately $4.0 million and $3.3 million of cash in foreign countries as of February 28, 2023 and February 28, 2022, respectively.

Revenue from one customer of the Candle-Lite unit represents approximately $103 million and $131 million of the Company's consolidated revenues for the year ended February 28, 2023, and February 28, 2022, respectively.

Cash and Cash Equivalents: The Company considers short-term cash investments and highly liquid debt instruments purchased with an original maturity of three months or less to be cash.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable: The Company extends credit to customers customary in its business. Payments from customers are generally due within 30-60 days. The delinquency status of these accounts is determined based on contractual terms of sale. The Company does not charge interest on its past due accounts receivable. The Company estimates an allowance for doubtful accounts on the related receivables by performing a review of historical losses, existing economic conditions, and an analysis of specific accounts where a greater risk of credit loss exists. Uncollectible trade receivables are charged off once the Company makes final determination that the amounts will not be collected.

Inventories: Candle-lite on March 1, 2022 implemented the First-in, First-out method ("FIFO") of accounting for inventory. For the effects of this change see (Note 15). Inventories, which consist of finished goods, raw materials, and work in process, are stated at the lower of cost or net realizable value, using the FIFO inventory accounting method.

Property, Plant, and Equipment: Property, plant and equipment are stated at cost. Depreciation has been provided in the financial statements on the straight-line method at rates based on a reasonable estimate of useful lives, which fall within the following ranges for major asset classifications:

	Estimated Useful Lives (Years)
Building and improvements	40
Machinery and equipment	7 to 10
Vehicles	5
Furniture and fixtures	5 to 7
Data processing equipment and software	3 to 5

Maintenance, repairs, and minor renovations are charged to earnings in the year in which the expense is incurred. Additions, improvements, and major renovations are capitalized. The cost of assets retired or sold, together with the related accumulated depreciation are removed from the accounts and any profit or loss on disposition is credited or charged to earnings.

Deferred Financing Fees: Deferred financings fees associated with the term notes payable are amortized over the term of the related debt and are included in long-term debt in the consolidated balance sheets. Deferred financing fees associated with the revolving line of credit is included in other assets in the consolidated balance sheets. The related amortization expense of $1,425 thousand and $722 thousand is included in interest expense in the consolidated statements of comprehensive income (loss) for the years ended February 28, 2023 and February 28, 2022, respectively. $572 thousand of the $1,425 thousand expense for year ending February 28, 2023 related to expensing the remaining deferred financing fees balance from the debt refinanced on December 30, 2022 see Note 6.

For the year ended February 28, 2023, the Company incurred $1,334 thousand related to deferred financing fees of which $1,234 thousand relates to the new December 2022 line of credit. For the year ended February 28, 2022 the Company incurred $629 thousand related to debt issuances.

Other Deferred Charges: Deferred software and rack costs are amortized over the term of the related agreements and are included in other assets in the consolidated balance sheets. The related amortization expense of $70 thousand and $120 thousand is included in selling, general and administrative expense in the consolidated statements of comprehensive income (loss) for the years ended February 28, 2023 and February 28, 2022, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets: The Company's intangible assets consist of trade names, customer relationships, patents, and trademarks. The intangible assets are accounted for in accordance with the standards outlined in the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 350-30-35. Intangible assets are evaluated at least annually for impairment and any such impairment will be recognized in the period identified. The Company determined there was no impairment of intangible assets at February 28, 2023 and February 28, 2022. (see Note 5).

Revenue Recognition: The Company generates revenue from the sale of its products to customers. Revenue from the sale of product to customers is recognized when the performance obligation is satisfied, which is the point at which control of the promised good is transferred to the customer. Control generally transfers upon physical delivery to customer. Revenue is recorded in an amount that reflects consideration the Company expects to be entitled to in exchange for the delivered goods, which includes an estimate of damage and return allowances, payment discounts, warehouse allowances, advertising allowances, volume discounts and other customer incentive programs. These customer programs and incentives are recorded as reductions of net sales and provisions are recorded in other accrued expenses on the consolidated balance sheets. The Company estimates the variable consideration throughout the year based on various factors such as contract terms, historical sales, and specific volume targets.

Cash incentives provided to the Company's customers related to advertising and sales promotions are recognized as a reduction of the related sales price, and, therefore, as a reduction in sales. Total cash incentives provided to customers relating to advertising and sales promotions were approximately $7.97 million and $7.45 million for the years ended February 28, 2023 and February 28, 2022, respectively.

Reserves related to incurred but not claimed advertising and sales promotions were $0.9 million and $0.5 million as of February 28, 2023 and February 28, 2022, respectively, and are included in other accrued expenses on the consolidated balance sheets. The reserve for sale returns and allowances was $2.2 million and $2.3 million as of February 28, 2023 and February 28, 2022, respectively.

Majority of accounts receivable relate to the Candle-lite segment, where payment terms are typically 30-60 days. Payments are generally due at time of ordering or upon product delivery for the PartyLite segment.

The Company records deferred revenue when cash payments are received in advance of transfer of control of goods or services. Deferred revenue primarily relates to gift cards. Gift cards are sold without expiration dates and revenue is recognized upon redemption of the gift card. In addition, the Company recognizes revenue on unredeemed gift cards where the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The balance of deferred revenue was $2.2 million and $1.61 million as of February 28, 2023, and February 28, 2022, respectively. Deferred revenue related to unredeemed gift cards was $0.7 million and $1 million as of February 28, 2023 and February 28, 2022, respectively. The Company recognized $2.17 million and $2.08 million as revenue for the years ended February 28, 2023, and February 28, 2022, respectively, from amounts recorded as deferred revenue at the beginning of the period.

Shipping and Handling Cost: The Company has made the accounting policy election to treat shipping as a fulfillment cost rather than a separate performance obligation. Related shipment revenue is recorded in net sales and related shipping and handling costs are included in cost of goods sold in the consolidated statements of comprehensive income (loss).

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Payroll Taxes: The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The Company has taken advantage of the employer payroll tax (FICA) deferral offered by the CARES Act, which allowed the Company to defer the payment of employer payroll taxes for the period March 27, 2020, to December 31, 2020. As of February 28, 2022, total deferred payroll taxes related to such deferrals were $1.12 million, as of February 28, 2023 the Company owed $868 thousand on these deferred taxes. The Company also has taken advantage of the Employee Retention Tax Credit (ERTC) where the Company claimed a credit of $1.3 million As of February 28, 2023, the Company had received $448 thousand either as refunds or as credits against its CARES Act deferred payroll tax balance.

Catalog Costs: Catalog production costs are capitalized and expensed as the catalogs are distributed, generally over less than a twelve-month period.

Promotional Offers to Independent Consultants: The Company's direct selling sales are generated by its independent consultants and affiliates, who strive to maximize the interrelated objectives of selling products, scheduling (or booking) parties or events and recruiting new consultants/affiliates. To encourage its consultants/affiliates to accomplish these goals, the Company makes monthly promotional offers including free or discounted products to consultants/affiliates and customers, as well as annual incentive trips and the payment of bonuses to consultants/affiliates according to the bonus plan. Promotions, including free or discounted products, are designed to increase revenues by providing incentives for customers and guests attending shows or using the Company's digital platforms. Promotional offers for free products are recorded as a charge to cost of goods sold when incurred, and promotional offers for discounted products are recorded as a reduction of revenue when incurred with the full cost of the product being charged to cost of goods sold. Sales bonuses are awarded based on achieving certain ranks within the compensation plan. These sales bonuses are paid on a weekly basis and the rank title bonuses are paid on a monthly basis and are charged to compensation expenses.

Annual incentive trips and bonuses are awarded to consultants who recruit new consultants or achieve certain sales levels. Estimated costs related to these promotional offers are recorded as promotional expense within selling expense as they are earned.

Impairment of Long-Lived Assets: Management evaluates the recoverability of the long-lived assets on an ongoing basis taking into consideration such factors as recent operating results, projected undiscounted cash flows and plans for future operations. There was no impairment of the Company's long-lived assets at February 28, 2023 or 2022.

Fair Value of Financial Instruments: The Company's carrying amount for financial instruments, which includes cash, accounts receivable, and accounts payable, approximates fair value. The fair value of the Company's long-term debt approximates fair value based on rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's lenders.

Foreign Currency Translation: The Company's international subsidiaries use their local currency as their functional currency. Therefore, all balance sheet accounts of international subsidiaries are translated into U.S. dollars at the period-end rates of exchange and statement of operations items are translated using the weighted average exchange rates for the period. Resulting translation adjustments are included in accumulated other comprehensive income ("AOCI") within the consolidated balance sheets. Transactional gains and losses arising from the impact of currency exchange rate fluctuations on transactions in a currency other than the local functional currency are included in other income (expense), net within the consolidated statements of comprehensive income (loss).

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: Income tax expense is based on taxable income, statutory tax rates and the impact of non-deductible items. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax basis of assets and liabilities and their reported amounts. The Company periodically estimates whether its tax benefits are more likely than not sustainable on audit, based on the technical merits of the position. There are inherent uncertainties related to the interpretation of tax regulations in the jurisdictions in which the Company transacts business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, as well as changes to or further interpretations of regulations. If such changes take place, there is a risk that the Company's tax rate may increase or decrease in any period.

Deferred tax assets and liabilities reflect the Company's best estimate of the tax benefits and costs expected to be realized in the future. The Company establishes valuation allowances to reduce its deferred tax assets to an amount that will more likely than not be realized.

In accordance with ASC 740, *Income Taxes* ("ASC 740"), the Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be capable of withstanding examination by the taxing authorities based on the technical merits of the position. A number of years may elapse before an uncertain tax position for which the Company has established a tax reserve is audited and finally resolved, and the number of years for which the Company has audits that are open varies depending on the tax jurisdiction, generally three years. When facts and circumstances change, the Company reassesses these probabilities and records any necessary adjustments to the provision. The Company does not expect the tax positions to change within the next 12 months.

The Company determined that a portion of its undistributed foreign earnings are not reinvested indefinitely by its non-U.S. subsidiaries. Based on the Company's analysis, no taxes were recorded on the undistributed foreign earnings as the resulting tax impact would be a benefit, which would be offset by a valuation allowance. The Company periodically reassesses whether the non-U.S. subsidiaries will invest their undistributed earnings indefinitely.

Pension Plans: The Company sponsors defined benefit plans covering certain of its employees in Europe. In accordance with accounting standards for employee pension benefits, the Company recognizes on a plan-by-plan basis the unfunded status of its pension plans in the consolidated financial statements and measures its pension plan assets and benefit obligations as of the end of the fiscal year. The obligation for the Company's pension plans and the related annual costs of employee benefits are calculated based on several long-term assumptions, including discount rates and expected mortality for employee benefit liabilities, rates of return on plan assets, and expected annual rates for salary increases for employee participants. Actuarial gains and losses resulting from a change in the value of the benefit obligations and plan assets are recognized immediately into income.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates including those related to: (1) revenue recognition; (2) valuation allowance for trade receivables; (3) inventory reserve; (4) intangible assets and long-lived assets; (5) valuation of right-of-use assets and lease liabilities and (6) going concern assumptions. Actual results could differ from those estimates.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive loss. Other comprehensive loss for the years ended February 28, 2023 and February 28, 2022 includes an adjustment related to foreign currency translation totaling $(485) thousand and $362 thousand, respectively.

New Accounting Pronouncement Adopted: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease.

The Company adopted the new standard on March 1, 2022 and will use this effective date as the date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before this date. The new standard requires the recognition of lease assets and lease liabilities on the balance sheet for all lease obligations and disclosing key information about leasing arrangements.

In accordance with ASU 2016-02, the Company elected not to recognize lease assets and lease liabilities for leases with a term of twelve months or less. The ASU requires a modified retrospective transition method, or a transition method option under ASU 2018-11, Refer to Note 7- Leases. The adoption of the new standard resulted in the recognition of right-of-use assets of $21.1 million and lease liabilities of $21.3 million, which is reflected net of deferred rents of $0.2 million as of March 1, 2022. The change to the prior period retained earnings was $3.9 million, net of tax, as shown in the Consolidated Statement of Equity, which related to the previous deferred gain on sale leaseback. The standard did not materially impact our Consolidated Statements of Comprehensive Income (Loss) or Cash Flows.

Risks and Uncertainties Inflation poses a risk to the business due to the ability of suppliers to rapidly increase our supply costs and the lengthy amount time required for the Company to negotiate price increases with the large retailers that make up a large part of our customer base.

The Company does not expect future material disruptions to its business. Risks related to the strength of the global retail sector or changes in foreign and financial market conditions could impair the Company's operation and financial performance.

NOTE 3 – INVENTORIES

The amounts here have been adjusted for the Candle-lite change to First in First Out (FIFO) inventory accounting, details of the change are in Note 14. As of February 28, 2023 and February 28, 2022, inventories consist of the following:

	2023	2022
	(in thousands)	
Inventory on FIFO basis		
Raw materials	$ 19,592	$ 24,356
Work in process	5,424	4,577
Finished goods	37,015	64,714
	62,031	93,647
Slow-moving, damaged, and excess inventory reserve	(3,796)	(3,927)
Lower of cost or net realizable value reserve	(3,772)	(3,630)
Inventories, net	$ 54,463	$ 86,090

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at February 28, 2023 and February 28, 2022:

	2023	2022
	(in thousands)	
Land	$ 2,839	$ 2,839
Buildings and improvements	8,332	8,169
Machinery and equipment	22,608	24,089
Vehicles	30	30
Furniture and fixtures	3,581	3,900
Data processing equipment and software	22,668	21,390
Construction in progress	899	1,070
	60,957	61,487
Less, accumulated depreciation	(34,715)	(29,893)
Property, plant and equipment, net	$ 26,242	$ 31,593

Depreciation expense related to property, plant and equipment was $6.15 million and $4.38 million for the years ended February 28, 2023 and February 28, 2022, respectively.

NOTE 5 –INTANGIBLE ASSETS

Intangible assets at February 28, 2023 consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Asset
		(in thousands)		
Trade names – Candle-lite	$ 664	$ -	$ -	$ 664
Trade names – PartyLite	2,574	(1,748)	-	826
Customer relationships	11,773	(4,589)	(4,285)	2,899
Patents	119	(119)	-	-
Trademark	35	(35)	-	-
Total	$ 15,165	$ (6,491)	$ (4,285)	$ 4,389

Intangible assets at February 28, 2022 consisted of the following:

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Asset
		(in thousands)		
Trade names – Candle-lite	$ 664	$ -	$ -	$ 664
Trade names – PartyLite	2,574	(1,491)	-	1,083
Customer relationships	11,773	(4,170)	(4,285)	3,318
Patents	119	(119)	-	-
Trademark	35	(35)	-	-
Total	$ 15,165	$ (5,815)	$ (4,285)	$ 5,065

(Continued)

NOTE 5 –INTANGIBLE ASSETS (Continued)

Amortization of definite lived intangible assets is recorded to reflect the pattern of economic benefits based on projected revenues over their estimated useful lives. Intangible assets having a definite life are amortized by the straight-line method over the estimated benefit period (customer relationships – 10-20 years, patents – 5 years, trademark – 5 years, trade names for PartyLite – 10 years).

Trade names for Candle-lite were determined to have indefinite lives and are re-evaluated at least annually for impairment, with any such impairment recognized in the period identified. No impairment was noted during the years ended February 28, 2023 and February 28, 2023.

Amortization expense related to intangible assets for the years ended February 28, 2023 and February 28, 2022 was $676 thousand and $676 thousand, respectively.

Estimated aggregate annual amortization expense for the next five years is as follows (in thousands):

2024	$ 677
2025	676
2026	677
2027	676
2028	677
Thereafter	342

NOTE 6 - LONG-TERM DEBT

As of February 28, 2023, and February 28, 2022, long-term debt consists of the following:

	2023	2022
	(in thousands)	
5.36% term note	$ -	$ 11,355
Term note payable A	-	10,050
Term note payable B	-	10,949
Revolver – (European)	-	1,862
Revolver – (US)	23,997	34,779
Covid Relief	331	491
	24,328	69,486
Less:		
Deferred financing fees	-	(1,255)
Current maturities – long-term debt	(136)	(655)
	$ 24,192	$ 67,576

The term note payable, collateralized by Leesburg, Ohio real estate was refinanced on April 11, 2019, for $12.00 million, due May 2024, with monthly scheduled payments of approximately $73 thousand including interest at 5.36%. The loan was fully committed and first lien on property, plant and equipment of the Leesburg plant. This mortgage was settled as part of the Company's December 30, 2022 refinancing.

NOTE 6 - LONG-TERM DEBT (Continued)

Term note payable A to financial institution originally $12.50 million, due April 30, 2023 as most recently amended on January 31, 2022 with quarterly scheduled principal payments, of approximately $63 thousand with interest payments equal to the greater of a) the term loan fixed rate of 6.75%, and b) the LIBOR rate in effect plus the applicable term loan A margin of 5.5% (effective rate of 6.75% at February 28, 2022. Collateralized by all assets of the US entities, plus a pledge of 65% of the shares and assets of Blyth Holding B.V. and Blyth International B.V. This loan was settled as part of the Company's December 30, 2022 refinancing.

Term note payable B to financial institution originally $12.50 million, due April 30, 2023 as most recently amended on January 31, 2022; quarterly scheduled interest payments equal to the greater of a) the term loan fixed rate of 10.75%, and b) the LIBOR rate in effect plus the applicable term loan A margin of 9.5% (effective rate of 10.75% at February 28, 2022 based on outstanding balance of loan). Collateralized by all assets of the US entities, plus a pledge of 65% of the shares and assets of Blyth Holding B.V. and Blyth International B.V. This loan was settled as part of the Company's December 30, 2022 refinancing.

In May 2016, (most recently amended on May 2, 2022), Luminex and certain of the Luminex's wholly-owned subsidiaries guaranteed and pledged collateral in connection with securing and entering into an asset-based, revolving credit ('ABL) facility with Wells Fargo. The ABL facility allows borrowings and letters of credit in U.S. dollars or Euros. The ABL facility requires monthly interest payments equal to either the sum of the U.S. Prime rate in effect plus the applicable margin of 1.00% to 1.50% or the LIBOR rate in effect plus the applicable margin of 2.00% to 2.50%. As of March 1, 2022, the borrowing limit declined to $45 million and the LIBOR effective rate with the Secured Overnight Financing Rate ("SOFR") and the applicable margin rate per annum was amended to 2.25%-2.75% and the applicable margin for Base Rate loans was amended to 1.25%-1.75%. The effective interest rate at February 28, 2022 for the U.S. borrowings was 5.00%, and for the European borrowings was 3.75%. As of February 28, 2022, the amount available to be drawn on the on the ABL facility was approximately $5.71 million.

On May 2, 2022, the Company entered into an agreement with its ABL lender to increase the borrowing limit back to $50 million and resetting the inventory sublimit. The ABL facility with Wells Fargo was settled as part of the Company's December 30, 2022 refinancing.

On December 30, 2022 the company completed a two part refinancing. One part was a sale lease back arrangement for its Leesburg facility for $40 million The Company determined that the accounting treatment for this financing was as a loan secured by the land and building see Note 8. The initial term of the agreement is for a twenty-year term followed by two ten-year renewal periods. The agreement calls for monthly payments of $283 thousand with a 3% escalation per year. The second part of the refinancing was a new ABL, which matures December 30, 2025. The ABL facility is secured by the US based inventory and accounts receivable of the Company. The overall ABL facility has a borrowing limit of $40 million. The ABL facility requires monthly interest payments based on SOFR with a margin of 3.5%, which at February 28, 2023 yielded an effective rate of 8.05%. The total proceeds from the new financing eliminated the two term loans and the ABL with Wells Fargo. Availability on the revolver at February 28, 2023 was $322 thousand.

The Company has an unsecured 500 thousand Euro denominated loan issued in January 2021 issued by German State Finance Department for COVID-19 Relief for businesses, which is due in June 2025. The loan has a fixed interest rate of 1.8%. The loan is to be repaid in 16 quarterly installments of approximately EUR 31 thousand starting September 2021.

The Company is subject to various fees including administration, unused commitment fees, early termination fees and letter of credit fees as applicable. The Company is also subject to various covenants associated with the debt. As of February 28, 2023, the Company was in compliance with these covenants.

(Continued)

NOTE 6 - LONG-TERM DEBT (Continued)

The aggregate maturities of the long-term debt is as follows (in thousands):

2024	$ 136
2025	24,192
Total	$ 24,328

NOTE 7 – LEASES

On March 1, 2022, the Company adopted ASU 2016-02, Leases, using the optional transition method. Under this method, the Company recognized the cumulative effect adjustment to the opening balance of retained earnings. The Company elected to adopt the package of practical expedients which apply to leases that commenced before the adoption date. By electing the package of practical expedients, the Company did not reassess whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and the initial direct costs for any existing leases. At lease commencement, a right-of-use ("ROU") asset and lease liability is recorded based on the present value of the future lease payments over the lease term. The Company has elected not to recognize a ROU asset and lease liability for leases with terms of 12 months or less. The Company leases facilities, vehicles, and other equipment under long-term operating and financing leases with varying terms.

In addition to the base rent, real estate leases typically contain provisions for common-area maintenance and other similar service, which are considered non-lease components for accounting purposes. For real estate leases, the Company include these non-lease components in calculating the ROU asset and lease liability. The Company uses the non-cancellable lease term unless it is reasonably certain that a renewal or termination option will be exercised. When available, the Company will use the rate implicit in the lease to discount lease payments to present value, however as most leases do not provide an implicit rate, the Company will estimate the incremental borrowing rate to discount the lease payments. The Company estimates the incremental borrowing rate based on the rates of interest that the Company would have to pay to borrow an amount equal to the lease payments on a collateralized basis, over a similar term, and in a similar economic environment. The ROU asset also includes any lease prepayments and initial direct costs, offset by lease incentives. The Company does consider each individual lease's circumstances to determine if renewal periods are reasonably certain and are then included; but does not consider early terminations to be reasonably certain and are thus are not included, in the lease term for real estate or equipment assets.

(Continued)

NOTE 7 – LEASES (Continued)

The components of ROU assets and lease liabilities were as follows:

	Balance Sheet Classification	February 28, 2023 (In thousands)
Assets:		
Operating lease assets	Right of use assets, net	$ 19,209
Finance lease assets	Right of use assets, net	960
Total leased assets		$ 20,169
Liabilities:		
Current:		
Operating	Current operating lease liability	$ 2,065
Financing	Current finance lease liability	325
Non-Current:		
Operating	Non-current operating lease	17,251
Financing	Non-current finance lease	343
Total leased liabilities		$ 19,984

The components of lease expense were as follows:

	February 28, 2023 (In thousands)
Operating lease cost	
Amortization of right-of-use assets	$ 2,120
Interest on lease liabilities	993
Short term lease expense	534
Finance lease cost	
Amortization of right-of-use assets	190
Interest on lease liabilities	57
Total lease cost	$ 3,894

Other information related to leases was as follows:

	February 28, 2023
Weighted Average Remaining Lease Term	
Operating Leases	14.72 years
Finance Leases	2.13 years
Weighted Average Discount Rate	
Operating Leases	5.01 %
Finance Leases	7.17 %

(Continued)

NOTE 7 – LEASES (Continued)

The following is a summary of obligations under non-cancelable operating leases, with initial or remaining lease terms more than one year (in thousands):

	Finance	Operating
2024	$ 302	$ 2,694
2025	302	2,694
2026	114	2,289
2027	-	1,846
2028	-	1,351
Thereafter	-	16,430
Less imputed interest	(50)	(7,988)
Total	668	19,316
Less current portion	325	2,065
Total non-current lease liability	$ 343	$ 17,251

NOTE 8 – FINANCING OBLIGATION

On December 30, 2022, the Company sold property consisting of land and a building. Simultaneously, the Company entered into a lease agreement with the buyer of the property (the sale of the property and simultaneous leaseback is referred to as the "sale leaseback"). The sale-leaseback is repayable over a 40-year-term, which consists of a 20-year initial term and four 5-year extensions, which the Company anticipates will be exercised. The Company's initial base rent is approximately $283 thousand per month, with annual increases of approximately 3%.

The Company accounted for the sale leaseback transaction as financing transactions with the purchaser of the property in accordance with ASC 842 as the lease agreement was determined to be a finance lease. The presence of a finance lease indicates that control of the land and building has not transferred to the buyer/lessor and, as such, the transaction is deemed a failed sale leaseback and must be accounted for as a financing arrangement. As a result of this determination, the Company is viewed as having received the sales proceeds from the buyer/lessor in the form of a hypothetical loan collateralized by its leased property. The hypothetical loan is payable as principal and interest in the form of lease payments to the buyer/lessor. As such, the Company did not derecognize the property for accounting purposes and no gain or loss on sale was recognized.

As of February 28, 2023, the carrying value of the financing liability was $40.4 million, representing $255.8 million in remaining payments under the leases, net of a discount of $215.4.

Remaining future cash payments related to the financing liability, for the year ended February 28, 2023 are as follows: (in millions)

2024	$ 3.4
2025	3.5
2026	3.6
2027	3.7
2028	3.8
Thereafter	237.8

(Continued)

NOTE 9 - INCOME TAXES

Income (loss) before income tax expense for the years ended February 28, 2023 and February 28, 2022 was:

	2023	2022
	(in thousands)	
United States	$ (21,474)	$ (4,077)
Foreign	(10,345)	3,802
Income (loss) before income tax expense	$ (31,819)	$ (275)

Income tax expense consists of the following for the years ended February 28, 2023 and February 28, 2022:

	2023	2022
	(in thousands)	
Current income tax expense (benefit):		
Federal	$ -	$ -
State	295	76
Foreign	606	1,284
	901	1,360
Deferred income tax expense (benefit):		
Federal	-	-
State	-	-
Foreign	3	327
	3	327
Income tax expense	$ 904	$ 1,687

Significant components of the Company's deferred tax assets and liabilities approximated the following at February 28, 2023 and February 28, 2022, respectively:

	2023	2022
	(in thousands)	
Deferred tax assets:		
Net operating loss	$ 26,876	$ 29,491
Basis difference on investment	27,386	27,461
Accrued expenses and other	4,678	5,398
Deferred gain on sale of Tilburg	-	1,855
Allowance for doubtful accounts	43	59
Interest expense limitation	652	1,549
Sale leaseback	9,951	-
Deferred tax assets	69,586	65,813
Valuation allowance	(61,961)	(56,541)
	7,625	9,272
Deferred tax liabilities:		
Inventory reserves	(657)	(528)
Prepaid expenses	(369)	(555)
Depreciation	(5,509)	(6,131)
Amortization of intangibles	(1,217)	(1,249)
Right of use assets	(205)	-
	(7,957)	(8,463)
Net deferred tax asset (liability)	$ (332)	$ 809

(Continued)

NOTE 9 - INCOME TAXES (Continued)

The Company records a valuation allowance when realization of the deferred tax asset is not likely to occur. When assessing the need for a valuation allowance, the Company considers positive and negative evidence of future income, reversing deferred tax liabilities, tax planning strategies, and whether loss carry backs are possible. The Company's valuation allowance at February 28, 2023 and February 28, 2022 was $61.9 million and $56.5 million, respectively. A full valuation allowance is recorded against the net US deferred tax asset of $56.8 million and $52.8 million at February 28, 2023 and February 28, 2022, respectively.

The foreign valuation allowance at February 28, 2023, offsets the net deferred tax asset in Australia, Italy, Finland, Switzerland and the United Kingdom primarily related to tax loss carryforwards. The remaining foreign jurisdictions are in a net deferred tax liability position, except the Hong Kong and Czech Republic.

The US federal and state net operating loss carryforwards are subject to an annual limitation due to Internal Revenue Code Section 382 and similar state provisions. The limitation may result in the expiration of the net operating loss carryforwards before utilization. The US Federal net operating loss carryforwards subject to the Section 382 limitation as of February 28, 2023 and February 28, 2022 was $17.3 million and $31.9 million, respectively.

The Company incurred costs for an anticipated transaction that were expected to be capitalized and non-deductible for tax purposes for the year ended February 28, 2022. During the current year, the Company has foregone the anticipated transaction and therefore will deduct the previously capitalized costs The foreign tax rate differential for the year ended February 28, 2023 and February 28, 2022 is due to the difference between the US and foreign statutory tax rates and most of the difference is between the US and Swiss tax rates and the US and Australia statutory rates.

The Company is subject to examination by U.S. federal, state, and foreign tax authorities. The U.S. Internal Revenue Service (the "IRS") commenced an examination of our U.S. federal income tax filings for tax years 2017 and 2018 during the year ending February 28, 2021. The IRS closed the audit during the summer of 2021 with no changes to the Company's tax returns. The U.S. statute of limitations remains open for tax years 2019 through the present. The IRS can also audit the net operating loss deductions in future years when used to offset taxable income. The statute of limitations for our tax filings in other jurisdictions varies between fiscal years 2017 through the present.

Beginning in 2018, the TCJA provides a 100% deduction for dividends received from 10-percent owned foreign corporations by U.S. corporate shareholders, subject to a one-year holding period. Although dividend income is now exempt from U.S. federal tax in the hands of the U.S. corporate shareholders, companies must still apply the guidance of ASC 740-30- 25-18 to account for the tax consequences of outside basis differences and other tax impacts of their investments in non-U.S. subsidiaries. As a result of TCJA and the current U.S. taxation of deemed repatriated earnings, any additional taxes that might be payable upon repatriation of foreign earnings are not significant, which may include foreign withholding taxes, potential state income taxes, and the tax effects of the currency translation OCI accounts. In general, it is the practice and intention of the Company to reinvest a portion of its earnings of its foreign subsidiaries in those operations.

(Continued)

NOTE 9 - INCOME TAXES (Continued)

The Company currently has $67.0 million and $ 81.6 million of US net operating losses at February 28, 2023 and February 28, 2022, respectively. This includes $17.3 million that will expire in periods through 2037 and the remainder that can be carried forward indefinitely. Based on the current statute enacted as part of the TCJA, losses arising in fiscal years ending after December 31, 2017 can be carried forward indefinitely and losses incurred after 2017 can only be used to offset 80% of taxable income. The Company also has approximately $122.7 million and $125.3 million of state net operating losses at February 28, 2023 and February 28, 2022, respectively, which will expire in periods through 2042. In addition, the Company has foreign net operating losses of $23.5 million and $12.1 million at February 28, 2023 and February 28, 2022, respectively. This primarily includes Australia net operating loss carry forwards of $12.9 million and $9.4 million at February 28, 2023 and February 28, 2022, respectively. These can be carried forward indefinitely.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. During the years ended February 28, 2023 and February 28, 2022, respectively, the Company incurred an immaterial amount of penalties and interest. There are no material uncertain tax positions.

NOTE 10 - RETIREMENT PLANS

Defined Contribution Plans: The Company has multiple defined contribution employee benefit plans in the United States and certain of its foreign locations covering substantially all eligible non-union employees. Employer contributions to all plans are made on a discretionary basis. Contribution expense during the years ended February 28, 2023 and February 28, 2022 was approximately $0.5 million and $1.0 million, respectively.

Employee Phantom Stock Units: An employee phantom stock unit (an “Employee PSU”) is a contractual right to receive payment from the Company of an amount equal to the value of the Employee PSU, as defined by an award agreement. Depending on the terms of each award agreement, Employee PSUs may vest over a time period of 7 years or immediately upon a change of control. All Employee PSUs are subject to continued performance of service until a change of control of the Company or change in ownership of a substantial portion of the Company’s assets. Certain Employee PSUs are payable upon a change of control based on achievement of certain performance conditions. As of February 28, 2022, and February 28, 2021, the Company is authorized to issue 48,660 PSUs. The Company records expense for these awards when it is probable that the performance condition will be met.

Government Sponsored Pension Plans: Most employees outside the United States are covered by government sponsored and administered programs. Other contributions to government-mandated programs are not expected to be significant. The employee pension plan (income)/expense associated with foreign subsidiaries for the years ended February 28, 2023 and February 28, 2022 was approximately $128 thousand and $(743) thousand, respectively. Pension plan expense (income) is included within the selling, general and administrative expenses line item in the consolidated statements of comprehensive income (loss).

As of February 28, 2023, the Company recorded $41 thousand of expense for its non-government German defined benefit plan of and anticipates future service and interest costs to be immaterial. The following table summarizes the changes in benefit obligation, plan assets, and funded status of the non-government Swiss pension plans for the years ended February 28, 2023 and February 28, 2022:

(Continued)

NOTE 10 - RETIREMENT PLANS (Continued)

	2023	2022
	(in thousands)	
Changes in benefit obligation		
Benefit obligation at beginning of year	$ 5,719	$ 6,640
Interest cost	50	10
Service cost	294	384
Contributions by plan participants	78	87
Benefits paid	(568)	(242)
Actuarial (gains) / losses	(783)	(1,094)
Currency translation	(108)	(66)
Benefit obligation at end of year	$ 4,682	$ 5,719
Changes in plan assets		
Fair value of plan assets at beginning of year	$ 5,157	$ 5,034
Actual return on plan assets	(561)	60
Contributions by employer	243	268
Contributions by plan participants	78	86
Benefits paid	(568)	(241)
Currency translation	(96)	(50)
Fair value of plan assets at end of year	$ 4,253	$ 5,157
Funded status		
Noncurrent liabilities	$ (429)	$ 560
Net amounts recognized on the consolidated balance sheets	$ (781)	$ 560

Information for pension plans with an accumulated benefit obligation in excess of plan assets as of February 28, 2023, and February 28, 2022:

	2023	2022
	(in thousands)	
Projected benefit obligation	$ 4,682	$ 5,719
Accumulated benefit obligation	4,644	5,637
Fair value of plan assets	4,253	5,034

Plan assets consist primarily of Level 1 investments with quoted prices in active markets for identical or similar assets. The following table presents the plan assets measured at fair value on a recurring basis as of February 28, 2023:

	2023	2022
	(in thousands)	
Equity Instruments	$ 1,410	$ 1,812
Debit Instruments	1,406	1,791
Properties	1,163	1,257
Liquid assets	119	149
Others	155	148
Total	$ 4,253	$ 5,157

NOTE 10 - RETIREMENT PLANS (Continued)

The table below summarizes the weighted average assumptions used to determine benefit obligations and net periodic pension costs for the fiscal year ended February 28, 2023 and February 28, 2022.

	2023	2022
Discount rates	0.90%	0.15%
Rates of compensation increase	1.00%	1.00%
Expected long-term rates of return on plan assets	1.50%	1.50%
Mortality tables	BVG2020 GT	BVG 2015 GT

The minimum employer required contributions to the plans for the next fiscal year is expected to be $262 thousand. The following table summarizes expected benefit payments from the plans through fiscal year 2026 and the following next five fiscal years. Actual benefit payments may differ from expected benefit payments (in thousands).

2024	$	350
2025		80
2026		107
2027		120
2028		94
Next 5 years		543

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

NOTE 12 - RELATED PARTY TRANSACTIONS

During the years ended February 28, 2023 and February 28, 2022, the Company incurred management fees of $500 thousand and $502 thousand, respectively, to Centre Lane Partners. During the year ending February 28, 2023, Centre Lane Partners provided significant professional assistance during the Company's refinancing for which an additional $800 thousand fee was billed in December 2022.

The Company conducts transactions in the normal course of business with an entity under common control. Purchases from this entity were $0.4 million and $4.22 million for the years ended February 28, 2023 and February 28, 2022, respectively. Accounts payable due to this entity were $0.1 million and $0.5 million as of February 28, 2023 and February 28, 2022, respectively.

NOTE 13 – STOCK PURCHASES AGREEMENT

On December 13, 2021, the Company entered into a stock purchases agreement with Global Consumer Acquisition Corp. This agreement expired on December 11, 2022. The Company had incurred legal and professional costs of in fiscal years ending February 28, 2023 and February 28, 2022 of $0.6 million and $2.02 million, respectively, in relation to this transaction as recorded to selling, general and administrative expenses in the Consolidated Statement of Comprehensive Income (Loss).

(Continued)

NOTE 14 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of February 28, 2023 for items that should be recognized or disclosed in these financial statements. This evaluation was conducted through August 31, 2023, the date these consolidated financial statements were available to be issued.

In July 2023, the Company entered into an equipment financing arrangement for approximately $4.6 million. The Company sold certain equipment and leased it back for an initial term of 30 months.

NOTE 15 – INVENTORY ACCOUNTING METHOD CHANGE

On the first day of the fiscal year beginning March 1, 2022, Candle-lite changed its method of accounting for inventories from last-in, first-out ("LIFO") method to the first-in, first-out ("FIFO") method. Use of the FIFO method was adopted to more closely reflect the value of the inventory on hand. As a result of this change, to comply with accounting principles generally accepted in the United States of America, the February 28 2022 and 2021 financial statements were adjusted to reflect the use of the FIFO method as of March 1, 2020. There was no overall change to inventory at March 1, 2021 because the impact of eliminating the LIFO reserve was offset by a lower of cost or market reserve. As such, Notes 2, 3, 9 and 14 have been updated to reflect the adoption of FIFO. Income taxes were not adjusted due to the immaterial amount of the income statement changes. The following financial statement line items for fiscal year ending February 28, 2022 were affected by the change:

	As of and for the Year Ended February 28, 2022		
	As Reported Under LIFO	As Adjusted Under FIFO	Effect of Change
Cost of goods sold	$ 210,192	$ 209,955	$ 237
Net income	(2,199)	(1,962)	237
Inventory	85,702	86,090	388
Total assets	158,926	159,314	388
Retained earnings	(106,028)	(105,640)	388
Shareholders' equity	20,423	20,811	388