LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
Cincinnati, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
February 29, 2024 and February 28, 2023

CONTENTS

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 29, 2024 and February 28 2023, 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 29, 2024 and February 28, 2023, 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.

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.

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.

(Continued)

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
June 28, 2024

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
CONSOLIDATED BALANCE SHEETS
February 29, 2024 and February 28, 2023
(in thousands)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,267	$ 4,681
Accounts receivable, net of allowance for doubtful accounts of $235 and $262, at February 29, 2024 and February 28, 2023, respectively	15,704	13,707
Inventories, net (Note 3)	54,429	54,463
Prepaid expenses and other current assets	8,869	7,903
Total current assets	86,269	80,754
Property, plant and equipment, net (Note 4)	22,142	26,242
Right of use assets, operating leases net (Note 7)	17,860	19,209
Right of use assets, finance leases net (Note 7)	877	960
Intangible assets, net (Note 5)	3,715	4,389
Deferred income tax asset (Note 9)	188	97
Other assets	3,836	3,928
Total assets	$ 134,887	$ 135,579
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion long-term debt (Note 6)	$ 175	$ 136
Current operating lease liability (Note 7)	1,950	2,065
Current finance lease liability (Note 7)	305	325
Accounts payable – trade	23,255	33,983
Accounts payable with company under common control	127	127
Accrued payroll	1,161	1,120
Current financing obligation (Note 8)	4,900	3,417
Sales allowance accrued expenses	1,718	1,804
Deferred revenue	1,514	2,168
Other accrued expenses	17,064	16,623
Total current liabilities	52,169	61,768
Long-term debt, net (Note 6)	42,984	24,192
Non-current operating lease (Note 7)	16,022	17,251
Non-current finance lease (Note 7)	177	343
Non-current financing obligation (Note 8)	39,888	36,724
Deferred income tax liability (Note 9)	361	429
Other long-term liabilities	2,921	3,320
Total liabilities	154,522	144,027
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	(145,358)	(134,414)
Accumulated other comprehensive income:		
Foreign currency translation	18,138	18,381
Total shareholders' equity (deficit)	(19,635)	(8,448)
Total liabilities and shareholders' equity (deficit)	$ 134,887	$ 135,579

See accompanying notes to consolidated financial statements.

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended February 29, 2024 and February 28, 2023
(in thousands)

	2024	2023
Net sales	$ 225,747	$ 234,249
Cost of goods sold	154,541	178,834
Gross profit	71,206	55,415
Operating expenses		
Direct marketing expense	29,284	31,743
Selling and marketing	9,071	11,182
General and administration	32,155	34,675
Management fees	500	500
	71,010	78,100
Income (loss) from operations before other income (expense)	196	(22,685)
Other income (expense)		
Interest expense	(10,240)	(8,786)
Foreign exchange gain (loss)	43	(162)
Other income (expense), net	(58)	(186)
	(10,255)	(9,134)
Loss before income tax expense	(10,059)	(31,819)
Income tax expense	885	904
Net loss	(10,944)	(32,723)
Other comprehensive income (loss)		
Foreign currency translation adjustment	(243)	(485)
Comprehensive loss	$ (11,187)	$ (33,208)

See accompanying notes to consolidated financial statements.

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)
For the years ended February 29, 2024 and February 28, 2023
(in thousands)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
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)
Foreign currency translation	-	-	-	-	(243)	(243)
Net loss		-	-	(10,944)	-	(10,944)
Balance, February 29, 2024	$ -	$ -	$ 107,585	$ (145,358)	$ 18,138	$ (19,635)

See accompanying notes to consolidated financial statements.

LUMINEX HOME DECOR & FRAGRANCE HOLDING CORPORATION
STATEMENTS OF CONSOLIDATED CASH FLOWS
For the years ended February 29, 2024 and February 28, 2023
(in thousands)

	2024	2023
Cash flows from operating activities		
Net loss	$ (10,944)	$ (32,723)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and intangible and other asset amortization	6,650	7,112
Provision for doubtful accounts	-	(126)
(Gain) loss on sale of property, plant and equipment	(5)	(10)
Non-cash interest on financing obligation	866	-
Amortization of deferred financing fees	435	1,425
Deferred income taxes	(160)	938
Increase (decrease) in cash from changes in operating assets and liabilities:		
Accounts receivable	(1,987)	2,023
Inventories	190	30,798
Prepaid expenses and other assets	(1,241)	2,885
Accounts payable	(10,526)	(1,200)
Accrued expenses and other liabilities	(626)	(2,554)
Net cash provided by (used in) operating activities	(17,348)	8,568
Cash flows from investing activities		
Proceeds from sale of assets	14	-
Purchase of machinery and equipment	(1,426)	(2,112)
Net cash (used in) investing activities	(1,412)	(2,112)
Cash flows from financing activities		
Net (payments) proceeds on line of credit	18,215	(12,515)
Issuance of equipment loans	796	-
Principal payment on equipment loans	(180)	
Issuance of financing obligation	4,479	40,144
Principal payments on financing obligation	(697)	(87)
Principal payments on financing lease obligations	(572)	(290)
Principal payments on long-term debt	-	(32,267)
Loan issuance costs	(255)	(1,334)
Net cash (used in) provided by financing activities	21,786	(6,349)
Net change in cash	3,026	107
Effect of exchange rate changes on cash	(440)	(170)
Cash at beginning of the period	4,681	4,744
Cash at end of the period	$ 7,267	$ 4,681
Supplemental disclosures of cash flow information:		
Cash paid during the year:		
Interest	$ 8,604	$ 8,734
Income taxes	717	390
Non-cash activity		
New operating leases	801	167
New finance leases	630	-

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 29, 2024 and February 28, 2023 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.

Recently Adopted Accounting Policies: Effective March 1, 2023, the Company adopted Accounting Standards Update 2016-13, Measurement of Credit Losses on Financial Instruments, and all subsequent amendments thereto (collectively, "Topic 326") using the modified retrospective method. Topic 326 changes the accounting for credit losses on loans and held-to-maturity debt securities and requires a current expected credit loss approach to determine the allowance for credit losses. This includes allowances for trade receivables. Topic 326 amends the impairment model to utilize an expected loss methodology in place of the incurred loss methodology for financial instruments, including trade receivables, and off balance sheet credit exposures. Topic 326 requires entities to consider a broader range of information to estimate expected credit losses, which may result in earlier recognition of losses. The adoption of Topic 326 did not have a material impact on the Company's financial position, results of operations, or revenues as of the adoption date.

(Continued)

(in thousands)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $5.2 million and $4.0 million of cash in foreign countries as of February 29, 2024 and February 28, 2023, respectively.

Revenue from one customer of the Candle-Lite unit represents approximately $96 million and $103 million of the Company's consolidated revenues for the year ended February 29, 2024 and February 28, 2023, 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.

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: 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.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $435 thousand and $1,425 thousand is included in interest expense in the consolidated statements of comprehensive income (loss) for the years ended February 29, 2024 and February 28, 2023, 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.

The Company incurred $255 thousand of deferred financing fees related to new debt issuance during the year ended February 29, 2024. 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. Deferred financing fees amounted to $985 thousand and $1,165 thousand as of February 28, 2024 and February 28, 2023, respectively.

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 $108 thousand and $70 thousand is included in general and administration expense in the consolidated statements of comprehensive income (loss) for the years ended February 29, 2024 and February 28, 2023, respectively.

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 29, 2024 and February 28, 2023 (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 $7.82 million and $7.97 million for the years ended February 29, 2024 and February 28, 2023, respectively.

Reserves related to incurred but not claimed advertising and sales promotions were $1.7 million and $0.9 million as of February 29, 2024 and February 28, 2023, respectively, and are included in other accrued expenses on the consolidated balance sheets. The reserve for sale returns and allowances was $1.6 million and $2.2 million as of February 29, 2024 and February 28, 2023, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $1.5 million and $2.2 million as of February 29, 2024 and February 28, 2023, respectively. Deferred revenue related to unredeemed gift cards was $0.6 million and $0.7 million as of February 29, 2024 and February 28, 2023, respectively. The Company recognized $2.7 million and $1.9 million as revenue for the years ended February 29, 2024 and February 28, 2023, 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).

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 29, 2024 or February 28, 2023.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive loss. Other comprehensive loss for the years ended February 29, 2024 and February 28, 2023 includes an adjustment related to foreign currency translation totaling $(243) thousand and $(485) thousand, respectively.

Leases: The Company's right-of use assets and lease liabilities relate to real estate, vehicles, and other equipment. Certain of the Company's leases contain renewal, extension, purchase or termination options. The Company assesses each option on an individual basis and will only include options reasonably certain of exercise in the lease term. The Company generally considers the base term to be the term provided in the contract. Leases are accounted for as operating or financing leases, depending on the terms of the lease. None of the Company's lease agreements contain material residual value guarantees or material restrictions or covenants.

Leases with terms greater than 12 months are recorded on the consolidated balance sheets at the present value of the minimum lease payments not yet paid. 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 thus, are not included, in the lease term for real estate or equipment assets.

Leases with an initial term of 12 months or less or leases that are cancellable by the lessee and lessor without significant penalties are not recorded on the consolidated balance sheets and are expensed on a straight-line basis over the lease term.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications: Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These classifications had no effect on previously reported results of income or members' equity.

NOTE 3 – INVENTORIES

As of February 29, 2024 and February 28, 2023, inventories consist of the following:

	2024	2023
	(in thousands)	
Raw materials	$ 16,217	$ 19,592
Work in process	3,219	5,424
Finished goods	44,113	37,015
	61,479	62,031
Inventory reserves	(9,120)	(7,568)
Inventories, net	$ 54,429	$ 54,463

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following at February 29, 2024 and February 28, 2023:

	2024	2023
	(in thousands)	
Land	$ 2,839	$ 2,839
Buildings and improvements	8,541	8,332
Machinery and equipment	22,712	22,608
Vehicles	10	30
Furniture and fixtures	3,640	3,581
Data processing equipment and software	23,503	22,668
Construction in progress	913	899
	62,158	60,957
Less: accumulated depreciation	(40,016)	(34,715)
Property, plant and equipment, net	$ 22,142	$ 26,242

Depreciation expense related to property, plant and equipment was $5.59 million and $6.15 million for the years ended February 29, 2024 and February 28, 2023, respectively.

(Continued)

NOTE 5 – INTANGIBLE ASSETS

Intangible assets at February 29, 2024 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	(2,006)	-	568
Customer relationships	11,773	(5,005)	(4,285)	2,483
Patents	119	(119)	-	-
Trademark	35	(35)	-	-
Total	$ 15,165	$ (7,165)	$ (4,285)	$ 3,715

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

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 29, 2024 and February 28, 2023.

Amortization expense related to intangible assets for both the years ended February 29, 2024 and February 28, 2023 was $676 thousand.

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

2025	$ 677
2026	677
2027	677
2028	677
2029	343
	$ 3,051

(Continued)

NOTE 6 – LONG-TERM DEBT

As of February 29, 2024 and February 28, 2023, long-term debt consists of the following:

	2024	2023
	(in thousands)	
Revolver – (US)	$ 42,212	$ 23,997
Equipment Loans	743	-
Covid Relief	204	331
	43,159	24,328
Less:		
Current maturities – long-term debt	(175)	(136)
	$ 42,984	$ 24,192

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 asset-based lending agreement (ABL), which matures December 30, 2025. The ABL facility, as most -recently amended in February 2024, is secured by the US based inventory and accounts receivable of the Company. The overall ABL facility has a borrowing limit of $55 million. The ABL facility requires monthly interest payments based on SOFR with a margin of 3.5%, which was 8.8% and 8.0% as of February 29, 2024 and February 28, 2023, respectively. Availability on the revolver at February 29, 2024 and 28, 2023 was $116 thousand and $322 thousand, respectively.

During the year ended February 29, 2024, the Company financed software purchases through various equipment loans. Interest on these loans range between 10.05% and 13.82% and monthly principal and interest payments are between $2.5 thousand and $5.5 thousand. The loans expire at varying dates in fiscal year 2028.

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 29, 2024, the Company was in compliance with these covenants.

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

2025	$ 175
2026	42,610
2027	217
2028	157
Total	$ 43,159

NOTE 7 – LEASES

As described in Note 2, the Company leases certain real estate, vehicles, and other equipment.

A summary of amounts reported within the consolidated balance sheets is as follows:

	2024	2023
	(in thousands)	
Assets:		
Operating lease assets	$ 17,860	$ 19,209
Finance lease assets	877	960
Total leased assets	$ 18,737	$ 20,169
Liabilities:		
Current:		
Operating	$ 1,950	$ 2,065
Financing	305	325
Non-Current:		
Operating	16,022	17,251
Financing	177	343
Total leased liabilities	$ 18,454	$ 19,984

The components of lease expense were as follows:

	2024	2023
Operating lease cost	$ 3,009	$ 3,113
Financing lease cost		
Amortization of leased assets	233	190
Interest on lease liabilities	53	57
Short-term lease cost	425	534
Total lease cost	$ 3,720	$ 3,894

Other information related to leases was as follows:

	2024	2023
Weighted average remaining lease term		
Operating leases	13.3 years	14.2 years
Financing leases	2.9 years	2.1 years
Weighted average discount rate		
Operating leases	5.3%	5.0%
Financing leases	6.9%	7.2%

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
2025	$ 371	$ 3,603
2026	194	3,130
2027	79	2,400
2028	79	1,300
2029	43	1,278
Thereafter	-	12,999
Total	766	24,710
Less: imputed interest	(284)	(6,738)
	482	17,972
Less: current portion	(177)	(1,950)
Total non-current lease liability	$ 305	$ 16,022

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.

On June 21, 2023, the Company sold certain equipment. Simultaneously, the Company entered into a lease agreement with the buyer of the equipment. The sale leaseback is repayable over a 30 month term. At the end of the lease term, the Company has the option to re-purchase the equipment. The Company’s base rent is $163 thousand per month.

The Company accounted for the sale leaseback transaction as a financing transaction with the purchaser of the equipment in accordance with ASC 842 as the Company determined it will repurchase the equipment and alternative assets that are substantially the same as the transferred asset are not readily available in the marketplace. As a result, the Company has not recognized a gain or loss on the sale and the equipment was not derecognized.

As of February 29, 2024 and February 28, 2023, the carrying value of the financing liability was $45 million and $40.1 million, representing $257 million and $255.8 million in remaining payments under the leases, net of a discount of $212 million and $215.4 million, respectively.

(Continued)

NOTE 8 – FINANCING OBLIGATION (Continued)

Remaining future cash payments related to the financing liability, for the year ended February 29, 2024 are as follows: (in millions)

2025	$ 5
2026	6
2027	4
2028	4
2029	4
Thereafter	234

NOTE 9 – INCOME TAXES

Income (loss) before income tax expense for the years ended February 29, 2024 and February 28, 2023 was:

	2024	2023
	(in thousands)	
United States	$ (12,643)	$ (21,474)
Foreign	2,584	(10,345)
Income (loss) before income tax expense	$ (10,944)	$ (31,819)

Income tax expense consists of the following for the years ended February 29, 2024 and February 28, 2023:

	2024	2023
	(in thousands)	
Current income tax expense (benefit):		
Federal	$ -	$ -
State	399	295
Foreign	645	606
	1,044	901
Deferred income tax expense (benefit):		
Federal	-	-
State	-	-
Foreign	(159)	3
	(159)	3
Income tax expense	$ 885	$ 904

(Continued)

NOTE 9 – INCOME TAXES (Continued)

Significant components of the Company's deferred tax assets and liabilities approximated the following at February 29, 2024 and February 28, 2023, respectively:

	2024	2023
	(in thousands)	
Deferred tax assets:		
Net operating loss	$ 25,315	$ 26,876
Basis difference on investment	28,034	27,386
Accrued expenses and other	5,384	4,678
Allowance for doubtful accounts	85	43
Inventory reserves	213	-
Right of use leases	4,417	4,773
Interest expense limitation	1,472	652
Sale leaseback	10,837	9,951
Deferred tax assets	75,757	74,359
Valuation allowance	(65,031)	(61,961)
	10,726	12,398
Deferred tax liabilities:		
Inventory reserves	-	(657)
Prepaid expenses	(474)	(369)
Depreciation	(4,644)	(5,509)
Amortization of intangibles	(1,179)	(1,217)
Right of use assets	(4,602)	(4,978)
	(10,899)	(12,731)
Net deferred tax asset (liability)	$ (173)	$ (332)

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. A full valuation allowance is recorded against the net US deferred tax asset of $59.7 million and $56.8 million at February 29, 2024 and February 28, 2023, respectively.

The foreign valuation allowance at February 28, 2024, 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, Netherlands, France 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 29, 2024 and February 28, 2023 was $9.9 million and $17.3 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 year ended February 28, 2023, the Company had foregone the anticipated transaction and therefore deducted the previously capitalized costs. The foreign tax rate differential for the year ended February 29, 2024 and February 28, 2023 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.

(Continued)

NOTE 9 – INCOME TAXES (Continued)

The statute of limitations for our tax filings in other jurisdictions varies between fiscal years 2018 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.

The Company has $59.5 million of US net operating losses at February 29, 2024. This includes $9.9 million that will expire in periods through 2038 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 $118 million of state net operating losses at February 29, 2024, which will expire in periods through 2043. In addition, the Company has foreign net operating losses of $24.7 million at February 29, 2024. This primarily includes Australia net operating loss carry forwards of $4.1 million at February 29, 2024. 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 29, 2024 and February 28, 2023, 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 29, 2024 and February 28, 2023 was approximately $0.4 million and $0.5 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 29, 2024 and February 28, 2023, 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.

(Continued)

NOTE 10 – RETIREMENT PLANS (Continued)

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 29, 2024 and February 28, 2023 was approximately $121 thousand and $128 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).

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 29, 2024 and February 28, 2023:

	2024	2023
	(in thousands)	
Changes in benefit obligation		
Benefit obligation at beginning of year	$ 4,682	$ 5,719
Interest cost	83	50
Service cost	176	294
Contributions by plan participants	58	78
Benefits paid	(1,430)	(568)
Actuarial (gains) / losses	197	(783)
Currency translation	420	(108)
Benefit obligation at end of year	$ 4,186	$ 4,682
Changes in plan assets		
Fair value of plan assets at beginning of year	$ 4,253	$ 5,157
Actual return on plan assets	458	(561)
Contributions by employer	184	243
Contributions by plan participants	58	78
Benefits paid	(1,430)	(568)
Currency translation	388	(96)
Fair value of plan assets at end of year	$ 3,911	$ 4,253
Funded status		
Noncurrent liabilities	$ (275)	$ (429)

Information for pension plans with an accumulated benefit obligation in excess of plan assets as of February 29, 2024 and February 28, 2023:

	2024	2023
	(in thousands)	
Projected benefit obligation	$ 4,186	$ 4,682
Accumulated benefit obligation	4,136	4,644
Fair value of plan assets	3,911	4,253

(Continued)

NOTE 10 – RETIREMENT PLANS (Continued)

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 29, 2024:

	2024	2023
	(in thousands)	
Equity Instruments	$ 1,315	$ 1,410
Debit Instruments	1,314	1,406
Properties	975	1,163
Liquid assets	120	119
Others	187	155
Total	$ 3,911	$ 4,253

The table below summarizes the weighted average assumptions used to determine benefit obligations and net periodic pension costs for the fiscal year ended February 29, 2024 and February 28, 2023.

	2024	2023
Discount rates	1.60%	0.90%
Rates of compensation increase	1.00%	1.00%
Expected long-term rates of return on plan assets	2.50%	1.50%
Mortality tables	BVG2020 GT	BVG2020 GT

The minimum employer required contributions to the plans for the next fiscal year is expected to be $220 thousand. The following table summarizes expected benefit payments from the plans through fiscal year 2029 and the following next five fiscal years. Actual benefit payments may differ from expected benefit payments (in thousands).

2025	$ 390
2026	89
2027	120
2028	124
2029	104
Next 5 years	581

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 29, 2024 and February 28, 2023, the Company incurred management fees of $500 thousand and $500 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 $0.2 million and $0.4 million for the years ended February 29, 2024 and February 28, 2023, respectively. Accounts payable due to this entity were $0 and $0.1 million as of February 29, 2024 and February 28, 2023, respectively.

NOTE 13 – SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of February 29, 2024 for items that should be recognized or disclosed in these financial statements. This evaluation was conducted through June 28, 2024, the date these consolidated financial statements were available to be issued.