

Consolidated Financial Statements
Mace Security International, Inc.
June 30, 2022 and 2021

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Mace Security International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share information)

ASSETS	June 30, 2022	December 31,
	(Unaudited)	2021
Current assets:		
Cash and cash equivalents	\$ 32	\$ 239
Accounts receivable, less allowance for doubtful accounts of \$606 and \$586 at June 30, 2022 and December 31, 2021, respectively	1,381	1,570
Inventories	4,982	4,711
Other current assets	330	492
Total current assets	<u>6,725</u>	<u>7,012</u>
Property and equipment:		
Buildings and leasehold improvements	260	260
Machinery and equipment	2,347	2,234
Furniture and fixtures	111	111
Total property and equipment	<u>2,718</u>	<u>2,605</u>
Accumulated depreciation and amortization	<u>(2,184)</u>	<u>(2,096)</u>
Total property and equipment, net	534	509
Operating lease - right-of-use asset, net of amortization	225	334
Finance lease - right-of-use asset, net of amortization	56	66
Goodwill	1,031	1,031
Intangible assets, net	1,963	2,093
Other non-current assets	14	14
Total other assets	<u>3,289</u>	<u>3,538</u>
Total assets	<u><u>\$ 10,548</u></u>	<u><u>\$ 11,059</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share information)

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2022	December
	(Unaudited)	31, 2021
Current liabilities:		
Line of credit	\$ 865	\$ -
Current operating lease obligation	233	227
Current finance lease obligation	16	16
Accounts payable	688	855
Income taxes payable	54	59
Accrued expenses and other current liabilities	<u>368</u>	<u>524</u>
Total current liabilities	2,224	1,681
Non-current operating lease obligations	-	118
Non-current finance lease obligations	<u>40</u>	<u>50</u>
Total liabilities	2,264	1,849
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at June 30, 2022 and December 31, 2021	-	-
Common stock, \$.01 par value; authorized 100,000,000 shares, issued shares of 64,869,879 and 64,703,965, at June 30, 2022 and December 31, 2021, respectively	649	647
Additional paid-in capital	103,930	103,822
Accumulated deficit	<u>(96,273)</u>	<u>(95,237)</u>
	8,306	9,232
Less treasury stock at cost, 90,548 shares at June 30, 2022 and December 31, 2021	<u>(22)</u>	<u>(22)</u>
Total shareholders' equity	<u>8,284</u>	<u>9,210</u>
Total liabilities and shareholders' equity	<u>\$ 10,548</u>	<u>\$ 11,059</u>

The accompanying notes are an integral part of these consolidated financial statements.

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands)

	Six Months Ended June	
	2022	2021
Net sales	\$ 4,137	\$ 6,700
Cost of goods sold	2,451	4,099
Gross profit	<u>1,686</u>	<u>2,601</u>
Selling, general, and administrative expenses	2,591	2,262
Amortization of intangible assets	<u>130</u>	<u>162</u>
Operating income (loss)	(1,035)	177
Interest expense	(13)	(11)
Gain on forgiveness of PPP Loan and accrued interest	-	625
Gain on extinguishment of debt	-	8
Other income, net	<u>12</u>	<u>19</u>
Income (loss) before income tax provision	(1,036)	818
Income tax provision	<u>-</u>	<u>7</u>
Net income (loss)	<u>\$ (1,036)</u>	<u>\$ 811</u>
Net income (loss) per share		
Basic	\$ (0.02)	\$ 0.01
Diluted	\$ (0.02)	\$ 0.01
Weighted average number of common shares (basic)	64,796,387	64,379,488
Weighted average number of common shares (diluted)	64,796,387	65,032,404

The accompanying notes are an integral part of these consolidated financial statements.

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands)

	Three Months Ended	
	2022	2021
Net sales	\$ 1,981	\$ 3,396
Cost of goods sold	<u>1,194</u>	<u>2,070</u>
Gross profit	787	1,326
Selling, general, and administrative expenses	1,178	1,201
Amortization of intangible assets	65	66
Operating income (loss)	(456)	59
Interest expense	(8)	(6)
Gain on forgiveness of PPP Loan and accrued interest	-	625
Gain on extinguishment of debt	-	8
Other income, net	<u>12</u>	<u>19</u>
Income (loss) before income tax provision	(452)	705
Income tax provision	<u>-</u>	<u>3</u>
Net income (loss)	<u>\$ (452)</u>	<u>\$ 702</u>
Net income (loss) per share		
Basic	\$ (0.01)	\$ 0.01
Diluted	\$ (0.01)	\$ 0.01
Weighted average number of common shares (basic)	64,847,052	64,482,808
Weighted average number of common shares (diluted)	64,847,052	65,297,236

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(Amounts in thousands, except share information)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Total
	Shares	Amount				
Balance at January 1, 2021	64,224,228	\$ 642	\$ 103,506	\$ (95,876)	\$ (22)	\$ 8,250
Stock-based compensation	194,054	2	218	-	-	220
Exercise of stock options	285,683	3	98	-	-	101
Net income	-	-	-	639	-	639
Balance at December 31, 2021	<u>64,703,965</u>	<u>\$ 647</u>	<u>\$ 103,822</u>	<u>\$ (95,237)</u>	<u>\$ (22)</u>	<u>\$ 9,210</u>
Balance at December 31, 2021	64,703,965	\$ 647	\$ 103,822	\$ (95,237)	\$ (22)	\$ 9,210
Stock-based compensation	165,914	2	108	-	-	110
Net loss	-	-	-	(1,036)	-	(1,036)
Balance at June 30, 2022	<u>64,869,879</u>	<u>\$ 649</u>	<u>\$ 103,930</u>	<u>\$ (96,273)</u>	<u>\$ (22)</u>	<u>\$ 8,284</u>

The accompanying notes are an integral part of these consolidated financial statements.

Mace Security International, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in thousands)

	Six Months Ended	
	June 30,	
	2022	2021
	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Net income (loss)	\$ (1,036)	\$ 811
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including right-of-use asset amortization	337	351
Stock-based compensation	110	95
Provision for losses on receivables	43	42
Gain on forgiveness of PPP Loan and accrued interest	-	(625)
Gain on extinguishment of debt	-	(8)
Changes in operating assets and liabilities:		
Accounts receivable	145	527
Inventories	(271)	(1,417)
Prepaid expenses and other assets	163	168
Accounts payable	(168)	587
Accrued expenses and other current liabilities	(156)	(153)
Operating lease obligations	(112)	(107)
Income taxes payable	(4)	4
Net cash provided by (used in) operating activities	<u>(949)</u>	<u>275</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(113)	(89)
Net cash used in investing activities	<u>(113)</u>	<u>(89)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	1,585	200
Repayment of line of credit	(720)	(200)
Repayment of debt	-	(276)
Payments on financing lease obligations	(10)	(8)
Exercise of stock options	-	101
Net cash provided by (used in) financing activities	<u>855</u>	<u>(183)</u>
Net increase (decrease) in cash and cash equivalents	(207)	3
Cash and cash equivalents at beginning of year	<u>239</u>	<u>767</u>
Cash and cash equivalents at end of period	<u>\$ 32</u>	<u>\$ 770</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Amounts in thousands, except share and per share amounts)

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

The accompanying consolidated financial statements include accounts of Mace Security International, Inc. and its wholly owned subsidiaries (collectively, the “Company”). All significant intercompany transactions have been eliminated in consolidation. The Company's independent auditors have not performed an audit or review of these consolidated financial statements.

Mace Security International, Inc. operates in one business segment, the Security Segment, which sells personal safety and security products to retailers, distributors, and individual consumers. The Company also sells tactical spray products and systems to law enforcement, security professionals, correctional institutions and military markets.

These unaudited consolidated financial statements should be read in conjunction with the Company's December 31, 2021 audited Consolidated Financial Statements. The results of operations for any interim period are not necessarily indicative of the results to be expected for other interim periods or the full year.

NOTE 2 – REVENUE

Virtually all the Company's net sales are generated from products sold at a point in time through ship-and-bill performance obligations. Revenue is recognized at a point in time when obligations under the terms of a contract with the Company's customer are satisfied. Generally, this occurs with the transfer of control of the Company's products at the time of shipment of products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring product. In some cases, the nature of the Company's contracts give rise to variable revenue as defined in Accounting Standards Codification (“ASC”) topic 606, including rebates, credits, allowances for returns or other similar items that decrease the transaction price. These variable amounts generally are credited to the customer based on achieving certain levels of sales activity, product returns and making payments with specific terms. Variable revenue is estimated at the most likely amount that is expected to be earned. Such estimated amounts are recognized when revenue is recorded. Estimates of variable revenue and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available.

Sales, value-added or other taxes collected by the Company concurrent with revenue producing activities are excluded from revenue. The Company allows some customers to return product when the product is defective as manufactured. The Company accrues for estimated future warranty cost in the period in which the sale is recorded. The expected cost associated with the Company's warranties is recognized in cost of goods sold in the consolidated statements of operations. The Company calculates its warranty accrual based on its historic warranty loss experience. Amounts billed to customers in sales transactions related to shipping and handling represent revenue earned for the product provided and are included in net sales. Costs of shipping and handling are included in cost of goods sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share amounts)

The following table disaggregates the Company's net sales by type of customer.

<u>Net Sales by Type of Customer</u>	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Consumer	\$ 1,766	\$ 3,237	\$ 3,415	\$ 6,297
Tactical	54	83	107	154
International	73	27	437	144
Other	88	49	178	105
Total	<u>\$ 1,981</u>	<u>\$ 3,396</u>	<u>\$ 4,137</u>	<u>\$ 6,700</u>

NOTE 3 – NET INCOME PER SHARE

The Company's net income (loss) per share was computed by dividing net income (loss) by the weighted-average number of common shares outstanding for each respective period. Diluted earnings (loss) per share was calculated by dividing net income (loss) by the weighted-average number of all potentially dilutive common shares that were outstanding during the periods presented using the treasury stock method.

The calculation of basic and diluted earnings (loss) per share were as follows:

	<u>Three Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Numerator		
Net income (loss)	\$ (452)	\$ 702
Denominator		
Determination of shares		
Weighted-average common shares outstanding	64,847,052	64,482,808
Dilutive effect – share based awards	-	814,428
Diluted weighted-average common shares outstanding	<u>64,847,052</u>	<u>65,297,236</u>
Earnings (loss) per common share		
Basic	<u>\$ (0.01)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.01)</u>	<u>\$ 0.01</u>

Outstanding stock options relating to approximately 2,493,833 and 0 weighted-average shares were excluded from the calculation of diluted earnings (loss) per share for the three months ended June 30, 2022

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Amounts in thousands, except share and per share amounts)

and 2021 respectively, as the impact of including such stock options in the calculation of diluted earnings per share would have an anti-dilutive effect.

	Six Months Ended June 30	
	<u>2022</u>	<u>2021</u>
Numerator		
Net income (loss)	\$ (1,036)	\$ 811
Denominator		
Determination of shares		
Weighted-average common shares outstanding	64,796,387	64,379,488
Dilutive effect – share based awards	-	652,916
Diluted weighted-average common shares outstanding	<u>65,796,387</u>	<u>65,032,404</u>
Earnings (loss) per common share		
Basic	<u>\$ (0.02)</u>	<u>\$ 0.01</u>
Diluted	<u>\$ (0.02)</u>	<u>\$ 0.01</u>

Outstanding stock options relating to approximately 2,450,071 and 11,786 weighted-average shares were excluded from the calculation of diluted earnings (loss) per share for the six months ended June 30, 2022 and 2021, respectively, as the impact of including such stock options in the calculation of diluted earnings per share would have an anti-dilutive effect.

NOTE 4 – IMPACT OF NEWLY ISSUED ACCOUNTING STANDARDS

There were no new accounting pronouncements in 2022 that had or are expected to have a material impact on the Company's Consolidated Financial Statements.

NOTE 5 - SUPPLEMENTARY CASH FLOW INFORMATION

Interest paid on all indebtedness was approximately \$11 and \$12 for the six months ended June 30, 2022 and 2021, respectively.

Income taxes paid was \$4 and \$3 for the six months ended June 30, 2022 and 2021, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited)**

(Amounts in thousands, except share and per share amounts)

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

	<u>Estimated Useful Life</u>	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
<u>June 30, 2022</u>				
Goodwill		\$ 1,031	\$ -	\$ 1,031
Non-competition agreement	4 years	20	(20)	-
Trademarks	15 years	630	(196)	434
Customer Relationships	9 years	1,936	(1,122)	814
License	3 years	150	(150)	-
Patents	15 years	39	(9)	30
Non-amortized trademarks		<u>685</u>	<u>-</u>	<u>685</u>
Total intangible assets		<u>3,460</u>	<u>(1,497)</u>	<u>1,963</u>
Total goodwill and intangible assets		<u>\$ 4,491</u>	<u>\$ (1,497)</u>	<u>\$ 2,994</u>

	<u>Estimated Useful Life</u>	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
<u>December 31, 2021</u>				
Goodwill		\$ 1,031	\$ -	\$ 1,031
Non-competition agreement	4 years	20	(20)	-
Trademarks	15 years	630	(176)	454
Customer Relationships	9 years	1,936	(1,014)	922
License	3 years	150	(150)	-
Patents	15 years	39	(7)	32
Non-amortized trademarks		<u>685</u>	<u>-</u>	<u>685</u>
Total intangible assets		<u>3,460</u>	<u>(1,367)</u>	<u>2,093</u>
Total goodwill and intangible assets		<u>\$ 4,491</u>	<u>\$ (1,367)</u>	<u>\$ 3,124</u>

Mace Security International, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share amounts)

Amortization of intangible asset expense was \$65 and \$66 for the three months ended June 30, 2022 and 2021, respectively, and \$130 and \$162 for the six months ended June 30, 2022 and 2021, respectively.

Future amortization of intangible asset expense is expected to be as follows:

	Amortization Expense
Fiscal year 2022 (remaining)	\$ 130
Fiscal year 2023	260
Fiscal year 2024	260
Fiscal year 2025	260
Fiscal year 2026	101
Thereafter	267
	<u>\$ 1,278</u>

All of the goodwill is expected to be deductible for income tax purposes. The Company's goodwill and non-amortized trademarks are not amortized, but instead are subject to an annual impairment test. The most recent evaluation was performed as of December 31, 2021. As a result of this evaluation, it was determined that there was no impairment of the Company's intangible assets as of December 31, 2021.

NOTE 7 – INVENTORIES

Inventories consist of the following:

	June 30, 2022	December 31, 2021
Raw materials	<u>\$ 2,590</u>	<u>\$ 2,840</u>
Finished goods	<u>2,392</u>	<u>1,871</u>
Total inventories	<u>\$ 4,982</u>	<u>\$ 4,711</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share amounts)

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of the following:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Line of credit	\$ 865	\$ -
Less: current portion of debt	<u>(865)</u>	<u>-</u>
Total long-term debt	<u>\$ -</u>	<u>\$ -</u>

The Company has a \$3,000 line of credit agreement with a bank (the “2021 Credit Agreement”) which replaced its previous \$2,000 line of credit agreement with a bank (the “2020 Credit Agreement”). The 2021 Credit Agreement is secured by substantially all the Company’s assets and matures on November 30, 2022. The 2021 Credit Agreement provides for monthly interest payments at a rate equal to SOFR plus 2.0%, with a floor of 2.50%. The interest rate was 3.625% at June 30, 2022. The Company recognized \$6 and \$1 interest expense associated with 2021 and 2020 Credit Agreements for the three months ended June 30, 2022 and 2021, respectively, and \$9 and \$1 interest expense associated with the 2021 and 2020 Credit Agreements for the six months ended June 30, 2022 and 2021, respectively. From time to time, the Company may draw against its line of credit as business conditions warrant. At June 30, 2022, \$865 was drawn under the 2021 Credit Agreement.

On July 29, 2022, the 2021 Credit Agreement was amended (The “2022 Amendment”) to extend the maturity date to May 30, 2023. The 2022 Amendment provides for the increase in the interest rate effective December 1, 2022 to SOFR plus 2.5%, with a floor of 2.5%. Under the 2022 Amendment, the Company is subject to a minimum EBITDA level measured quarterly and certain customary reporting requirements.

NOTE 9 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Accrued compensation	\$ 224	\$ 47
Vendor provided financing	1	171
Warranty and returns reserves	64	74
Accrued commissions	13	20
Amounts due customers	25	160
Accrued non-income-based taxes	14	11
Other	<u>27</u>	<u>41</u>
Total accrued expenses and other current liabilities	<u>\$ 368</u>	<u>\$ 524</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share amounts)

NOTE 10 – STOCK-BASED COMPENSATION

The Company's stock option plans are administered by the Compensation Committee (the "Committee") of the Board of Directors.

In 2012, the Company adopted, with shareholder approval, the 2012 Stock Option Plan (the "2012 Plan"). The 2012 Plan provides for the granting of incentive stock options or nonqualified stock options to directors, officers, employees, or vendors of the Company. Under the 2012 Plan, 15,000,000 shares of common stock are reserved for issuance. Incentive stock options and nonqualified options have terms which are determined by the Committee, with exercise prices not less than the market value of the shares on the date of grant. The options are exercisable no later than five (5) years after date of grant and vest either immediately or based upon graduated vesting schedules as determined by the Committee. The 2012 Plan terminated on June 21, 2022. On June 7, 2022, the Company's Board of Directors approved and adopted, by unanimous written consent, an extension of the termination date of the Company's 2012 Stock Incentive Plan for a period of one year, from June 21, 2022 to June 21, 2023. Such extension shall be submitted to the shareholders for approval at the Company's 2022 annual meeting of shareholders on August 4, 2022.

As of June 30, 2022, 4,434,000 stock options were outstanding under the 2012 Plan. Newly issued shares or shares of treasury stock may be used to satisfy requirements resulting from the exercise of stock options.

Activity with respect to this plan is as follows:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Options outstanding at December 31, 2021	5,126,000	\$ 0.34
Options expired	(168,000)	\$ 0.38
Options forfeited	(524,000)	\$ 0.41
Options outstanding at June 30, 2022	<u>4,434,000</u>	\$ 0.33
Options exercisable	<u>2,743,833</u>	\$ 0.34
Shares available for granting of options	<u>7,871,019</u>	

The Company recognizes compensation expense for all share-based awards on a straight-line basis over the vesting period of the instruments, based upon the grant date fair value of the stock options and stock-based awards issued. Total stock compensation expense was \$50 and \$52 for the three months ended June 30, 2022 and 2021, respectively, and \$110 and \$95 for the six months ended June 30, 2022 and 2021, respectively. No tax benefit was recognized for this compensation expense. At June 30, 2022, total unrecognized stock-based compensation expense is \$276, which has a weighted average period to be recognized of approximately 2.4 years. The Company has elected to recognize forfeitures as they occur.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share amounts)

The following table provides additional information regarding options outstanding as of June 30, 2022:

Option Exercise Price Range	Options Exercisable		Options Outstanding		Options Vested or Expected to Vest	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
\$0.01 to \$0.39	2,459,500	\$ 0.32	3,532,000	\$ 0.29	3,532,000	\$ 0.29
\$0.40 to \$1.00	284,333	\$ 0.51	902,000	\$ 0.52	902,000	\$ 0.52
	<u>2,743,833</u>		<u>4,434,000</u>		<u>4,434,000</u>	
			Options Exercisable	Options Outstanding	Options Vested or Expected to Vest	
Weighted average years remaining term			1.8	2.2	2.2	
Aggregate intrinsic value			\$ 15	\$ 60	\$ 60	

Information related to stock options exercised is as follows:

	Six months ended June 30,	
	2022	2021
Proceeds from the exercise of stock options	\$ -	\$ 101
Intrinsic value of stock options exercised	-	85
Income tax benefit related to stock options exercised	-	85

NOTE 11 – LEASES

The Company determines whether an arrangement is a lease at inception and whether that lease meets the classification criteria of a finance or operating lease. Some of the Company's lease arrangements contain lease components (e.g., minimum rent payments) and non-lease components (real estate tax, maintenance, etc.). The Company leases its facility and certain office/plant equipment. The Company's facility and a certain equipment lease are operating leases. For its facility lease, the Company accounts for lease components together with non-lease components.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**(Unaudited)**

(Amounts in thousands, except share and per share amounts)

Whenever the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate, which is based on the lease term and adjusted for impacts of collateral, in determining the present value of lease payments.

At June 30, 2022, the Company's leases have remaining lease terms of 0.9 to 3.4 years, some of which include options to extend the lease for up to three additional 5-year terms. The exercise of lease renewal options is at the Company's discretion. Renewals to extend the lease term are not included in the Company's Right-of-use asset and Lease obligations as they are not reasonably certain of exercise. The Company's leases do not contain any material residual value guarantees or material restrictive covenants. Short-term lease expense is recognized on a straight-line basis over the term of the lease.

The following table presents information about the amount, timing and cash flows arising from the Company's operating leases:

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Components of lease cost:				
Operating lease cost	\$ 59	\$ 59	\$ 120	\$ 113
Variable lease cost	5	1	6	2
Short-term lease cost	5	2	10	6
Finance lease cost:				
Amortization of right-of-use asset	2	2	5	5
Interest	1	2	2	2
Total	<u>\$ 72</u>	<u>\$ 66</u>	<u>\$ 143</u>	<u>\$ 128</u>

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Operating lease cash flow information:				
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 71	\$ 63	\$ 131	\$ 116
Finance lease cash information:				
Cash paid for amounts included in the measurement of finance lease liabilities	6	4	12	4
Non-cash activity:				
Right-of-use asset obtained in exchange for finance lease liability	-	34	-	56

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(Amounts in thousands, except share and per share amounts)

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Operating lease information:		
Weighted-average remaining operating lease term	12 months	24 months
Weighted-average operating lease discount rate	4.26%	4.26%
Operating lease amortization of right-of-use asset	\$ 109	\$ 104
Finance lease information:		
Weighted-average remaining finance lease term	33 months	45 months
Weighted-average finance lease discount rate	3.35%	3.35%
Finance lease amortization of right-of-use asset	\$ 10	\$ 8

	<u>June 30, 2022</u>	
	<u>Operating leases</u>	<u>Finance leases</u>
Maturity of lease obligations:		
2022 (remaining)	\$ 118	\$ 11
2023	120	20
2024	-	19
2025	-	10
Thereafter	-	-
Total undiscounted lease payments	<u>238</u>	<u>60</u>
Less imputed interest	<u>(5)</u>	<u>(4)</u>
Present value of lease obligations	<u>\$ 233</u>	<u>\$ 56</u>

NOTE 12 – INCOME TAXES

For each interim reporting period, the Company makes an estimate of the effective tax rate it expects to be applicable for the full fiscal year for its operations. This estimated effective tax rate is used in providing for income taxes on a year-to-date basis. The Company's estimated effective tax rate through the first six months of fiscal 2022 and 2021 was 3.6% and differs from U.S. federal statutory rate due primarily to (i) the impact of valuation allowances against the Company's deferred tax assets and (ii) U.S. state and local income taxes.

NOTE 13 – SUBSEQUENT EVENTS

The Company evaluated its June 30, 2022 financial statements for subsequent events through August 1 2022, the date the financial statements were available to be issued. Other than the amendment to the Company's 2021 Credit Agreement on July 29, 2022, the Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.