

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

# Contents

	<b><u>Page</u></b>
Consolidated Balance Sheets	2-3
Consolidated Statements of Operations	4-5
Consolidated Statements of Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-18

Mace Security International, Inc. and Subsidiaries

**CONSOLIDATED BALANCE SHEETS**

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

<b>ASSETS</b>	<b>September 30, 2022 (Unaudited)</b>	<b>December 31, 2021</b>
Current assets:		
Cash and cash equivalents	\$ 48	\$ 239
Accounts receivable, less allowance for doubtful accounts of \$200 and \$586 at September 30, 2022 and December 31, 2021, respectively	1,430	1,570
Inventories	4,391	4,711
Other current assets	644	492
Total current assets	<u>6,513</u>	<u>7,012</u>
Property and equipment:		
Buildings and leasehold improvements	260	260
Machinery and equipment	2,373	2,234
Furniture and fixtures	111	111
Total property and equipment	<u>2,744</u>	<u>2,605</u>
Accumulated depreciation and amortization	<u>(2,241)</u>	<u>(2,096)</u>
Total property and equipment, net	503	509
Operating lease - right-of-use asset, net of amortization	170	334
Finance lease - right-of-use asset, net of amortization	51	66
Goodwill	1,031	1,031
Intangible assets, net	1,898	2,093
Other non-current assets	14	14
Total other assets	<u>3,164</u>	<u>3,538</u>
Total assets	<u><u>\$ 10,180</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)

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	
Current liabilities:		
Line of credit	\$ 715	\$ -
Current operating lease obligation	176	227
Current finance lease obligation	16	16
Accounts payable	427	855
Income taxes payable	55	59
Accrued expenses and other current liabilities	<u>666</u>	<u>524</u>
Total current liabilities	2,055	1,681
Non-current operating lease obligations	-	118
Non-current finance lease obligations	<u>35</u>	<u>50</u>
Total liabilities	2,090	1,849
Shareholders' equity:		
Preferred stock, \$.01 par value; authorized 10,000,000 shares, no shares issued and outstanding at September 30, 2022 and December 31, 2021	-	-
Common stock, \$.01 par value; authorized 100,000,000 shares, issued shares of 64,927,574 and 64,703,965, at September 30, 2022 and December 31, 2021, respectively	649	647
Additional paid-in capital	103,970	103,822
Accumulated deficit	<u>(96,507)</u>	<u>(95,237)</u>
	8,112	9,232
Less treasury stock at cost, 90,548 shares at September 30, 2022 and December 31, 2021	<u>(22)</u>	<u>(22)</u>
Total shareholders' equity	<u>8,090</u>	<u>9,210</u>
Total liabilities and shareholders' equity	<u>\$ 10,180</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)

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Net sales	<b>\$ 6,640</b>	\$ 10,519
Cost of goods sold	<b>3,994</b>	6,399
Gross profit	<b>2,646</b>	4,120
Selling, general, and administrative expenses	<b>3,680</b>	3,573
Amortization of intangible assets	<b>195</b>	229
Operating income (loss)	<b>(1,229)</b>	318
Interest expense	<b>(53)</b>	(15)
Gain on forgiveness of PPP Loan and accrued interest	-	625
Gain on extinguishment of debt	-	8
Other income, net	<b>12</b>	29
Income (loss) before income tax provision	<b>(1,270)</b>	965
Income tax provision	-	12
Net income (loss)	<b>\$ (1,270)</b>	<b>\$ 953</b>
Net income (loss) per share		
Basic	<b>\$ (0.02)</b>	\$ 0.01
Diluted	<b>\$ (0.02)</b>	\$ 0.01
Weighted average number of common shares (basic)	<b>64,835,743</b>	64,453,016
Weighted average number of common shares (diluted)	<b>64,835,743</b>	64,985,265

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)

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
	<u>2022</u>	<u>2021</u>
Net sales	\$ 2,504	\$ 3,819
Cost of goods sold	1,543	2,300
Gross profit	<u>961</u>	1,519
Selling, general, and administrative expenses	1,089	1,311
Amortization of intangible assets	65	66
Operating income (loss)	<b>(193)</b>	142
Interest expense	<b>(40)</b>	(5)
Other income, net	<u>-</u>	<u>10</u>
Income (loss) before income tax provision	<b>(233)</b>	147
Income tax provision	<u>-</u>	<u>5</u>
Net income (loss)	<u><b>\$ (233)</b></u>	<u>\$ 142</u>
Net income (loss) per share		
Basic	\$ (0.00)	\$ 0.00
Diluted	\$ (0.00)	\$ 0.00
Weighted average number of common shares (basic)	<b>64,913,150</b>	64,618,761
Weighted average number of common shares (diluted)	<b>64,913,150</b>	65,035,243

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				
<b>Balance at January 1, 2021</b>	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
<b>Balance at December 31, 2021</b>	<u>64,703,965</u>	<u>\$ 647</u>	<u>\$ 103,822</u>	<u>\$ (95,237)</u>	<u>\$ (22)</u>	<u>\$ 9,210</u>
<b>Balance at December 31, 2021</b>	64,703,965	\$ 647	\$ 103,822	\$ (95,237)	\$ (22)	\$ 9,210
Stock-based compensation	223,609	2	148	-	-	150
Net loss	-	-	-	(1,270)	-	(1,270)
<b>Balance at September 30, 2022</b>	<u>64,927,574</u>	<u>\$ 649</u>	<u>\$ 103,970</u>	<u>\$ (96,507)</u>	<u>\$ (22)</u>	<u>\$ 8,090</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)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ (1,270)	\$ 953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including right-of-use asset amortization	519	513
Stock-based compensation	150	155
Provision for losses on receivables	97	102
Gain on forgiveness of PPP Loan and accrued interest	-	(625)
Gain on extinguishment of debt	-	(8)
Changes in operating assets and liabilities:		
Accounts receivable	42	343
Inventories	320	(1,752)
Prepaid expenses and other assets	(151)	(109)
Accounts payable	(428)	493
Accrued expenses and other current liabilities	142	21
Operating lease obligations	(169)	(161)
Income taxes payable	(4)	9
Net cash used in operating activities	<u>(752)</u>	<u>(66)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	<u>(139)</u>	<u>(135)</u>
Net cash used in investing activities	<u>(139)</u>	<u>(135)</u>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from line of credit	2,385	950
Repayment of line of credit	(1,670)	(950)
Repayment of debt	-	(276)
Payments on financing lease obligations	(15)	(13)
Exercise of stock options	-	101
Net cash provided by (used in) financing activities	<u>700</u>	<u>(188)</u>
Net decrease in cash and cash equivalents	<b>(191)</b>	<b>(389)</b>
Cash and cash equivalents at beginning of year	<u>239</u>	<u>767</u>
Cash and cash equivalents at end of period	<u><b>\$ 48</b></u>	<u><b>\$ 378</b></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</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Consumer	\$ 2,316	\$ 3,524	\$ 5,731	\$ 9,821
Tactical	61	60	168	214
International	46	202	482	346
Other	81	33	256	138
Total	<u>\$ 2,504</u>	<u>\$ 3,819</u>	<u>\$ 6,640</u>	<u>\$ 10,519</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 September 30,</u>	
	<u>2022</u>	<u>2021</u>
Numerator		
Net income (loss)	\$ (233)	\$ 142
Denominator		
Determination of shares		
Weighted-average common shares outstanding	64,913,150	64,618,761
Dilutive effect – share based awards	-	416,482
Diluted weighted-average common shares outstanding	<u>64,913,150</u>	<u>65,035,243</u>
Earnings (loss) per common share		
Basic	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Diluted	<u>\$ 0.00</u>	<u>\$ 0.00</u>

Outstanding stock options relating to approximately 2,663,333 and 625,000 weighted-average shares were excluded from the calculation of diluted earnings (loss) per share for the three months ended September

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

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

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.

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Numerator		
Net income (loss)	\$ (1,270)	\$ 953
Denominator		
Determination of shares		
Weighted-average common shares outstanding	64,835,743	64,453,016
Dilutive effect – share based awards	-	532,249
Diluted weighted-average common shares outstanding	<u>64,835,743</u>	<u>64,985,265</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 2,514,050 and 195,750 weighted-average shares were excluded from the calculation of diluted earnings (loss) per share for the six months ended September 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 \$47 and \$16 for the nine months ended September 30, 2022 and 2021, respectively.

Income taxes paid was \$4 and \$3 for the nine months ended September 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>
<b><u>September 30, 2022</u></b>				
Goodwill		\$ 1,031	\$ -	\$ 1,031
Non-competition agreement	4 years	20	(20)	-
Trademarks	15 years	630	(207)	423
Customer Relationships	9 years	1,936	(1,175)	761
License	3 years	150	(150)	-
Patents	15 years	39	(10)	29
Non-amortized trademarks		<u>685</u>	<u>-</u>	<u>685</u>
Total intangible assets		<u>3,460</u>	<u>(1,562)</u>	<u>1,898</u>
Total goodwill and intangible assets		<u>\$ 4,491</u>	<u>\$ (1,562)</u>	<u>\$ 2,929</u>

	<u>Estimated Useful Life</u>	<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
<b><u>December 31, 2021</u></b>				
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 September 30, 2022 and 2021, respectively, and \$195 and \$229 for the nine months ended September 30, 2022 and 2021, respectively.

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

	<b>Amortization Expense</b>
Fiscal year 2022 (remaining)	\$ 65
Fiscal year 2023	260
Fiscal year 2024	260
Fiscal year 2025	260
Fiscal year 2026	101
Thereafter	267
	<u>\$ 1,213</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:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>
Raw materials	<u>\$ 2,426</u>	<u>\$ 2,840</u>
Finished goods	<u>1,965</u>	<u>1,871</u>
Total inventories	<u>\$ 4,391</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>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Line of credit	\$ 715	\$ -
Less: current portion of debt	<u>(715)</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. 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 as defined (“Adjusted EBITDA”) measured quarterly and certain customary reporting requirements. At September 30, 2022, the Company was in compliance with all debt covenants. The 2021 Credit Agreement requires monthly interest payments. The interest rate was 4.625% at September 30, 2022. The Company recognized \$35 and \$1 interest expense associated with 2021 and 2020 Credit Agreements for the three months ended September 30, 2022 and 2021, respectively, and \$45 and \$2 interest expense associated with the 2021 and 2020 Credit Agreements for the nine months ended September 30, 2022 and 2021, respectively. \$18 of the interest expense in 2022 is related to the 2022 Amendment. From time to time, the Company may draw against its line of credit as business conditions warrant. At September 30, 2022, \$715 was drawn under the 2021 Credit Agreement.

**NOTE 9 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of the following:

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Accrued compensation	\$ 170	\$ 47
Vendor provided financing	259	171
Warranty and returns reserves	68	74
Accrued commissions	20	20
Amounts due customers	89	160
Accrued non-income-based taxes	23	11
Other	<u>37</u>	<u>41</u>
Total accrued expenses and other current liabilities	<u>\$ 666</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. The Company’s shareholders approved the extension of the termination date at the Company’s 2022 annual meeting of shareholders on August 4, 2022.

As of September 30, 2022, 4,934,000 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 granted	700,000	\$ 0.24
Options expired	(368,000)	\$ 0.41
Options forfeited	(524,000)	\$ 0.41
Options outstanding at September 30, 2022	<u>4,934,000</u>	\$ 0.32
Options exercisable	<u>2,831,333</u>	\$ 0.34
Shares available for granting of options	<u>7,371,019</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 \$41 and \$60 for the three months ended September 30, 2022 and 2021, respectively, and \$150 and \$155 for the nine months ended September 30, 2022 and 2021, respectively. No tax benefit was recognized for this compensation expense. At September 30, 2022, total unrecognized stock-based compensation expense is \$332, which has a weighted average period to be recognized of approximately 3.0 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)

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 September 30, 2022, the Company's leases have remaining lease terms of 0.8 to 2.5 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>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Components of lease cost:</b>				
Operating lease cost	\$ 61	\$ 59	\$ 181	\$ 172
Variable lease cost	-	1	6	3
Short-term lease cost	1	1	6	7
Finance lease cost:				
Amortization of right-of-use asset	6	6	16	12
Interest	-	1	2	3
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ 72</u>	<u>\$ 68</u>	<u>\$ 211</u>	<u>\$ 197</u>

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Operating lease cash flow information:</b>				
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 59	\$ 60	\$ 190	\$ 176
<b>Finance lease cash information:</b>				
Cash paid for amounts included in the measurement of finance lease liabilities	5	6	17	15
<b>Non-cash activity:</b>				
Right-of-use asset obtained in exchange for finance lease liability	-	-	-	56

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

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

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
<b>Operating lease information:</b>		
Weighted-average remaining operating lease term	<b>9 months</b>	21 months
Weighted-average operating lease discount rate	<b>4.26%</b>	4.26%
Operating lease amortization of right-of-use asset	<b>\$ 164</b>	\$ 157
<b>Finance lease information:</b>		
Weighted-average remaining finance lease term	<b>30 months</b>	42 months
Weighted-average finance lease discount rate	<b>3.35%</b>	3.35%
Finance lease amortization of right-of-use asset	<b>\$ 15</b>	\$ 13

	<u>September 30, 2022</u>	
	<u>Operating leases</u>	<u>Finance leases</u>
<b>Maturity of lease obligations:</b>		
2022 (remaining)	\$ 59	\$ 6
2023	120	20
2024	-	19
2025	-	10
Thereafter	-	-
Total undiscounted lease payments	<u>179</u>	<u>55</u>
Less imputed interest	<u>(3)</u>	<u>(4)</u>
Present value of lease obligations	<u>\$ 176</u>	<u>\$ 51</u>

On October 13, 2022, the Company exercised its renewal option to extend the lease of its facility for an additional five (5) years for the period July 1, 2023 to June 30, 2028 at a base rent of \$17 per month.

**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 nine 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.

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

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

**NOTE 13 – SUBSEQUENT EVENTS**

The Company evaluated its September 30, 2022 financial statements for subsequent events through October 31, 2022, the date the financial statements were available to be issued. Other than the exercise of the option to extend the lease of its facility as discussed in Note 11, the Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.